Monday October 3 1988

D 8523 A

THIRD WORLD Effect of IMF and World Bank policy

1993. But the Government is also considering the larger AH-64 Apache model, designed

by McDonnell Douglas of the

US. However, even if the US

helicopter were selected, it is likely some of the manufactur-

ing would be carried out by

June that it was considering

the sale of its ordinary and convertible preference shares in Westland, which it picked up in 1986 when Fiat and United Technologies Corporation of the US helped in the controversial STAM (\$1984).

controversial £75m (\$126m) res-

cue of the UK group, based in

At the time, the political storm in the UK over the own-ership of Westland led to the

resignations of Mr Michael

Heseltine as Defence Minister

Fiat announced at the end of

Westland in the UK.

Yeovil, Somerset.

World News

See 4

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Control of the Member of the Control of the Control

Thousands in anti-Pinochet election protest

Hundreds of thousands of Chileans gathered for a final opposition rally on Saturday in Santiago in support of a No vote against General Augusto Pinochet in Wednesday's prestdential plebiscite. Yesterday, pro-Government forces organised a horn-honking caravan of cars, buses and trucks which filled the streets of Santiago.

Strauss critical

Bavarian state Premier Franz Josef Strauss was unconscious and in critical condition after suffering a heart attack during

Quayle breaks ranks Republican vice presidential candidate Dan Quayle broke with George Bush on how to proceed in strategic arms talks, saying conventional forces should be linked to the US-Soviet negotiations. Page 2

Cinema firebombed A fire bomb attack badly dam-

aged a cinema in Besaucon. France, showing director Mar-tin Scorese's controversial film The Last Temptation of Christ Traditionalist Catholics, who say the film is blasphemous, threw teargas into a Parisian cinema and attacked members of the audience when the film opened last week.

Gurkhas surrender More than 5,900 Gurkha activists surrendered arms in northeastern Bengal state, bringing to an end their two year long violent campaign

for a separate state, govern-ment-owned television said.

Satellite stays up Israel's first smallite launched last mouth will remain in orbit for two to three weeks longer than planned. An unsuperiod accountiation of solar energy will enable it to clock the Earth for six to seven weeks before burning out.

Mainteney, parting appearant versial free basis, appearant with the US on the line, announced a new for November 21.

Robel rockets kill 5 Rehet rockets killed five people and wounded 17 to listelabed. the second attack on the east orn Afghan city in two days.

Labor claims victory
John Cain, premier of Austra-lla's Victoria siste, claimed
a marrow victory for the state's ruling Labor party after elec-tions, although the opposition refused to concede delect.

Spanish muclear poll
A majority of Speniseds
believe a new eight year
defence part between Madrid
and Washington violates a 1986 referendum affirming a ban

on nuclear weapons, a newspa-per poli published yesterday.

Somali-Soviet talks Somalia, which backs ties with the Soviet Union 10 years ago, had talks with Soviet officials this weekend on improving political, social and enitoral co-operation, the official

Israel Watergate' israeli Prime Minister Yitzhak

Shamir's right-wing Likud bioc accused the Labour Party of ... conducting an "Israeli Water-gate" spying plot ahead of national elections next month.

Italy's Arc triumph Italian owned and trained Tony Bin, ridden by Ulsterman Reid, won the \$833,500 Prix de l'Arc de Triomphe, Europe's richest horse race, at Longch-

Votors stay away French voters shumed the polling booths yesterday in the second round of regional canional elections. Rarly forecasts put the abstention rate at a post-war record of 52 Der

Drugs colonel quits Haitian Lt Col Jean-Claude Paul, the target of US criticism after being charged in the US with conspiring to import cocaine into the country, has

Business Summary

Gatt makes progress on key trade issues

BROAD consensus has been reached on several key trade issues among the 26 trade minleters meeting informally in Pakistan under the auspices of the General Agreement on Tariffs and Trade. But ministers pointed out that thornier subjects were still to come.

RIROPBAN Monetary System Central bank intervention at the start of the week effectively capped the dollar's firmer trend, and EMS curren-cies traded for the rest of the week-within a relatively narrow range.

The Italian lira was a little weaker overall, but the dollar's continued strength helped to suppress the West German D Mark and to stall any build-up of pressure on the weaker currencies.



ECU Day

The chart shows the two constraints on European Monetary System rates. The upper grid, based on the weakest currency based on the meakest currency in the system, defines the cross-nates from united no currency (encyclibe line) may more more than the last made more chart gives each currency's disappear from the foundation of the last part of t

LEADING computer manufacand Japan meet today near and grant meet steay near Roston, Massacinsetts, to ky to said schallin over standards which has thy ded the data processing industry and left computer users confused and hydroid. Paire 8

EASTERN Airlines won a ferther legal vicinty in its fight against financial collapse with a federal appeals court railing that it had the right to sack 4,000 couployees. Page 27

NORANDA, part of Edward and Peter Bronfman's far flung Canadian resource empire, plens to increase to 29.4 yer cent its stake in Falconbridge,

the world's second largest pickel producer. Page 27 ALITALIA, Italy's state airline, saffered a drop in net profits in the first half as a result of industrial disputes and expert

congestion. Page 27 CAMPRAU Corporation, fastgrowing Canadian property and retailing group, is to close five US department stores in a bid to stem losses at its Allied Stores unit. About 1,200 employees will be affected. Page 21

SHARES of Mitsubishi Rank. Japan's fourth largest, are to be listed on the London Stock Exchange from today. The move extends the trend set last year when Fuji Bank became the first Japanese bank to list its shares in London.

FTALIAN financier Carlo de Benedetti is returning to the forefront of France's increasingly active takeover scene by launching a bid this week for Epeda Bertrand Faure, France's second largest car components group. Page 27

JAPANESE investment in the UK is threatened by the short-age of good local suppliers of components, according to a study published by an indepen-dent research body. Page 10

PURCHASERS with no experience in the savings and loan industry have taken on six insolvent Texas thrifts with total assets of \$4.4bm. Federal regulators will give them \$2.5bm of financial assistance, more than doubling their commitment so far this year to troubled thrifts in the state.

Page 27 ROBERT MAXWELL, the British media chief, has acquired a stake of just under 5 per cent in Bonygues, the leading French construction and media group whose shares have been at the centre of hectic trading on the Paris bourse. Page 27

Gorbachev tightens reins, vows greater democracy

MR Mikhail Gorbachev completed a political coup at the weekend by assuming the ceremonial role of head of state, to complement his real power as leader of the Communist Party – and immediately announced his determination to promote a new popular democracy in the country.

At the same time he has served notice of his intention to become the country's first executive president when constitutional reforms come into effect next year. His axe iell on Friday and

Saturday, pensioning off a string of leading members of the Soviet old guard, replacing them with allies, and pushing sideways his main potential rivals in the party leadership. It has left him in unquestioned control of both party and gov-

Yet he used his very first platform, as newly-elected president of the Supreme Soviet in place of the ageing Mr Andrei Gromyko, to issue an urgent appeal to revive pop-ular control of elected Soviets from the level of towns and villages up to the republics and the union itself.

upsarge of popular movements and informal organisa-tions - often outside the ranks of the ruling party - as an essential part of the new "The role of the Soviets con-

He gave his backing to the

sists in untapping the maximum possibilities of popular initiative," he said. There should be "informal participation by the broad masses in deciding all issues, through the law of public elections. through mass organisations and movements... through any Ripples spread across Eastern Europe

THE SWEEPING personnel

changes at senior level which appear to have consolidated the power of Mr Mikhali Gorb-achev, the Soviet leader, have next ripples across Eastern Kryppes

The promotion of pro-reform

Gorbachev supporters and

downgrading of some key con-

servatives has given the old

to worry about than previous

reshuffles, their former Soviet

pairons and backers have been

pushed aside by Gorbachev

epporters. Few teers will be shed by the

iberal Soviet intellegentsia for

Mr Petr Demichev, former con-servative minister of culture; for Mr Mikhail Solomentsev,

other forms which will be born

in perestroika." His plea amounts to little else than a call to counterbalance the highly centralised power of the ruling party, a power which he had just used with devastating effect to shake up his administration and neutralise opposition.

The emergency session of the Supreme Soviet on Saturday - summoned at only two days' notice - approved on the nod the decisions presented to it by the previous day's plenary meeting of the Commu-nist Party central committee: Mr Gorbachov was elected president of the presidium in place of Mr Gromyko.

It was a predictable unautmous vote, followed by a stand-

ing ovation. Soviet television only showed a recording: Soviet citizens were glued to the Olympic football final. By taking on the job of state President, Mr Gorbachev does not acquire any additional but he underlines both the importance he attaches to the elected Soviets,

and his intention of keeping

the job when it does assume executive powers next spring. The constitutional reforms approved by the June Communist Party conference provide for the president to be elected by a new 2,250-member Con-gress of People's Deputies. The Congress will in turn choose a streamlined Supreme Soviet given far wider responsibility for discussing and amending

The president will have the power to nominate a prime minister, chair the Defence Council, and represent the country abroad. By taking on

party control committee; Mr

Vladimir Dolgikh, former can-tzai committees secretary for

heavy industry and for Mr

Andrei Gromyko, the veteran

link with the old regime has

For the Bulgarians, Czecho-

slovaks, Bast Germans and Romanians, the demotion of

these officials and the shifting

sideways of Mr Yegor

Ligachev - bane of the liberals

and legitimator of communist orthodoxy - will symbolise the

European journalist, hard-line Communist leaders "must

In the words of one East

end of the Brezhnev era.

But for some Hast Ruropean aders it will mean that the

firmer treign minister.

finally been broken.

ON OTHER PAGES ●KGB poacher turns

gamekeeper, Page 4

• Congratulations pour in from East and West, Page 4
• Estonians call for autonomy, Page 4 ●Resignation of Yugoslav

Politburo members, Page 4

Rogue nuclear satellite
declared safe, Page 4 ●Editorial comment, Page 22 ● Moscow clears obstacle to arms talks, Page 24

ics that he believes the two jobs - of party leader and executive president - should

be combined.

Mr Anatoly Lukyanov, chief architect of those constitutional reforms, and just elected a candidate member of the ruling Politburo at the Communist Party central committee meeting on Friday, was approved as the first deputy president. His will be the job of ensuring that Mr Gorbachev's monumental reform agenda gets approved by the assembly in time for elections next

The other key change was the replacement of Gen Viktor Chebrikov, chairman of the KGB, the state security com-mittee, by his deputy, General

Viadimir Kryuchkov. On Friday, the KGB chairman, regarded as a potential opponent to the pace of Mr orbachev's reforms, was promoted to become a central committee secretary responsi-ble for legal reform. Although a key post, it will nonetheless remove him from his power hase in the security service. Mr Gorhachev's other poten-

Because Mr Gorbachev now

appears to be firmly in control,

some of his East European

allies must be worried about

their relationship with Moscow

es well as their own political

They include Mr Todor Zhiv-kov, the 78-year-old leader of

Bulgaria and Rastern Europe's

longest serving leader. He is

likely to come under greater

pressure, if not to resign, then certainly to promote younger

and more politically flexible

Mr Zhivkov, who looked to the late Soviet leaders Leonid Brezhnev and Konstantin

Chernenko for support, has

often shied away from openly

tial rival, and effective number two, Mr Yegor Ligachev, was put in charge of agriculture at the central committee meeting on Friday. Although a key job in reviving the economy - the top priority - it takes him away from the ideology portfo-lio where he built his reputation as an opponent of excessive political reform, defending litional Communist values

and strict party control.

The Supreme Soviet completed the reshuffle by retiring one Deputy Prime Minis-ter - 76-year-old Alexei Anto-nov - and demoting another: Mr Nikolai Talyzin, the former head of Gosplan, the state planning body, and hitherto First Deputy Prime Minister.

He becomes simply a Deputy Prime Minister. The one newcomer to the government is Ms Alexandra Biryukova, just appointed as a candidate member of the Politburo - the first woman in such a position since the early 1960s - who takes control of the drive to boost light industry and consumer goods production; with the rank of dep-

uty premier.
The reshuffle does not indicate any big change in the Government's economic policy, but it does lift political con-straints from Mr Gorbachev, as his immediate forthright endorsement of popular democ-

racy suggests.
It coincided with an extraor-dinarily outspoken rally in the Baltic republic of Estonia at the weekend, demanding far greater devolution of power from Moscow. Mr Gorbachev appears to prepared to countenance, and even encourage, such demands, in spite of doubts among his colleagues.

The improbable official line

in Sofia is that Bulgaria

started introducing reforms

back in 1956 - so that current events in the Soviet Union are nothing remarkable.

The Soviet leadership, awar

of Bulgaria's incoherent and

often hastily drawn-up eco-

nomic measures, has already

tried indirectly to exert pres-

sure on Sofia. But this has not

prevented the wily Mr Zhivkov

from proceeding at his own pace, helped by the fact that

there is little pressure from within the Bulgarian party for

The old "Chavdar" group, a coterie of Second World War

communist partisans which has dominated the politburo

Continued on Page 24

choice.

GKN, Westland plan helicopter joint venture

By Andrew Hill in London GKN, the British engineering and defence company, and Westland Group, the UK helicopter manufacturer, are poised to announce a joint venture which would exploit the country's increased emphasis on the battlefield use of helicopters.

The catalyst for the agreement will be GKN's purchase this week of a 7.97 per cent stake in Westland currently held by Fiat, the Italian auto-mobile and aerospace engineer-ing group. GKN is thought to be interested in building an even larger stake in Westland, without going as far as to hid for the UK helicopter maker. GKN currently manufactures

Warrior and Saxon personnel carriers, the sort of armoured vehicles which could be used on the battlefield alongside Westland's Lynx helicopter and the EH101, a joint venture between Westland and Agusta, the Italian state-owned helicopter manufacturer.

The GKN-Westland venture would strengthen Westland's position, which has been vul-nerable to delays in major contracts, despite the boost from the record arms supply agree ment recently signed by the UK and Saudi Arabia. Westland's Lynx is on order

for use by the new air mobile brigade, a division of the UK armed forces, operating troop carriers and helicopters, which should join Nato forces for-mally at the end of next year. A second light attack heli-copter also has to be chosen for the brigade. The Anglo-Italian

EH101 is one option, although

full production of the aircraft

is not expected before about

and Mr Leon Brittan from the Department of Trade and Fiat's interest in Westland originally reflected its desire to buy Agusta from the Italian government, in an attempt to form a giant pan-European helicopter conglomerate, with Fiat as the major shareholder. The Italian group could not be reached for comment in Turin

vesterday.

If its stake were completely converted into voting shares, Fiat would hold 14.69 per cent of Westland's fully-diluted share capital. UTC, Fiat's part-ner in the Westland rescue, holds an identical proportion of the UK group's equity and has first refusal on the shares. Sale of the stake to the US group would give UTC a fully diluted holding of just under 30 per cent, the level at which a takeover bid must be launched.

Coffee producers reach accord on export quotas

By David Blackwell in London

international Coffee Organisation talks in London finally succeeded in hammering out a deal on export quotas in the early hours of yesterday - more than 24 hours after the negotiations were scheduled to close

The agreed total global export quota – by which the ICO aims to stabilise world prices and supplies of coffee

is for 56m bags of 60kg each.
it will take effect immediately, replacing the one which expired on Friday night.

The adjustments which will be made to the quotas as prices rise or fall have been designed

WEARY DELEGATES to the to ensure more top quality arabica coffee reaches the market - the main aim of the consumer countries during the perotiations.

Prices on the world coffee markets are expected to move higher today. Market optimism about the outcome of the talks, which started on September 19, has already helped to drive up prices in London and New York. At the close on Friday the three-month contract for robusta coffee was up £73 on the week at £1,203 a tonne on the London Futures and

Options Exchange. Brazil and Colombia, the two Continued on Page 24

praising Mr Gorbachev's reforms. former chairman of the CPSU's know the party is finally over." Pakistan court backs Bhutto

By Christina Lamb in Islamabad

PAKISTAN appears poised for a return to full democracy after a decision by the country's Supreme Court yesterday to allow the first party-based elections in more than 11 years

on November 16. The Supreme Court ruled in favour of a petition by Ms Benazir Binutto, the leading opposi-tion figure, whose chances of being returned to power lawe been given a significant boost although she is is unlikely to get the sweeping majority that her party activists are predict-

ing.
The Supreme Court also decided to allow national party symbols, regarded as crucial in a country with one of the world's lowest library rates. The decision is a landmark in Pakistan's return to democracy after after 11 years of rule by President Mohammad Zia ul-Haq, eight of them under martial law. President Zia, who died in a mysterious air crash last August, deposed Ms Ehutto's father, Prime Minister Zolfikar Ali Bhutto, in a 1977 military coup. Bhutto was

President Zia, in announcing the November elections, had said these would be conducted on a non-party basis (although parties would be allowed to back individual candidates) and the use of party symbols would be prohibited.

Mr June Aziz Munshi, Pakistan's Attorney General, told the Supreme Court earlier that the caretaker government under caretaker President Gulam Ishaq Khan agreed to party based elections but opposed Ms Binitio's demand for party symbols.

The judgment said political

parties were entitled to use only one of St proscribed sym-bols. The sword on which Ms Bhutto's Pakistan People's Party (PPP) campaigned in 1970 and 1977 was dropped from this list by a presidential ordinance in 1985. The PPP will now appeal to the Electoral Commission for the sword to be returned to the list. Benazir's mother, Mrs Nus-rat Bhutto, co-leader of the

PPP and Mr Bhutto's widow

said: "If the sword is allotted

symbol of our party we will

easily sweep the polls." The court's decision was reached in six hours, the government only opposing the use of symbols.
But the Government is not challenging the ruling. Ishaq Khan hinted within days after taking office that he favoured free and fair elections. "We

accept entirely what the Supreme Court says," Justice and Parliamentary Affairs Minister Wasim Sajjad later told a news conference.

"We are happy," Ms Bhutto
told The Associated Press from
her Karachi residence, where she was resting after the birth of her first child earlier this month. "Pakistan today has a

real chance of moving towards national unity."
The caretaker Cabinet also announced a list of reforms to the election laws in an effort to combat cheating and streamline the electoral process.

The PPP is trying to reach agreement on allocation of seats with its much smaller partners in the Movement for the Restoration of Democracy, a nine-party umbrella alliance. Sind violence, Page 3

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hanged two years later.

THE MONDAY INTERVIEW



World Guide

Lord Mackenzie Stuari is about to retire as president of the European Court. His harshest criticism is aimed at those member

states he sees playing national politics with the European Community's highest legal Page 46

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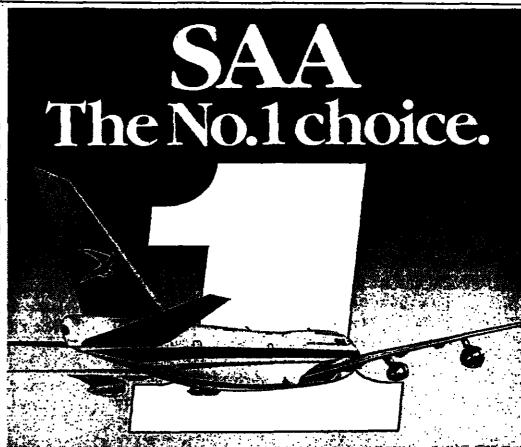
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Quayle raises profile by differing with Bush

Republican Party candidate for the US vice-presidency, has aken issue with his runningmate over what strategy the US should have towards Moscow in the next round of arms negotiations.

Mr Quayle said yesterday, in a New York Times interview, that agreement on cutting the superpowers' long-range strate-gic missiles by about half should be linked to Soviet concessions on conventional arms reductions. The Reagan administration had rejected this

By David Owen in Toronto

CANADA is to go to the polls

on November 21, in a campaign which will be dominated by the

prime minister's still unratified

free trade agreement with the

The pact's fate appears to rest with the ruling Conserva-tive Party's ability to secure a

second consecutive majority government – a feat they last managed in 1882. If no party

wins a majority, the opposition Liberals and the left-of-centre New Democratic Party (NDP)

would probably combine to kill

At dissolution, the Conserva-

tives were firmly in command

of the House of Commons with 203 MPs, against 38 Liberals, 32

New Democrats, four indepen-

dents and five vacancies.

In making the election announcement, Mr Brian Mulroney, Prime Minister, invited

voters to judge the government

The Conservatives have pre-

sided over a period of sus-tained growth in the Canadian

economy. This is expected to be a main plank of their cam-

paign, with the Meech Lake

on its record.

for November 21

Canadian PM calls poll

SENATOR Dan Quayle, stance, on the grounds that it would retard progress to a strategic arms agreement, so the senator's remarks put him at variance with Vice-President George Bush, the Republicans' presidential candidate for the

The decision by Mr Quayle to give the newspaper a rare opportunity to interview him on a major policy issue came as he and his opposite number on the Democratic Party ticket, Senator Lloyd Bentsen, are preparing for their national televised debate on Wednes-

bring French-speaking Quebec into the federal constitution for

the first time - and the Gov-ernment's commitment to a

Mr John Turner, the Liberal leader, was immediately on the rhetorical offensive: This is

more than an election - this is

His future as leader of his deeply indebted party will be very much on the line in the

campaign. Since he lost the 1984 election, Mr Turner has

twice survived attempts to

The Liberals 40-point elec-

tion platform opposes the free trade agreement, advocates the introduction of tax relief on

mortgages, various social jus-

tice programmes and a new national holiday in February. Mr Ed Broadbent the NDP leader, stressed "fairness" in his first campaign address. "The election is about fairness in telection is about fairness.

in taxes, in housing, in job opportunities," he said.

gave the Conservatives, on 40 per cent support, a nine-point

lead over the NDP. The Liber-

An opinion poll last week

15-year defence build-up.

Mr Quayle appears to be adopting a tactic similar to one Mr Bush has used, the latter having this year distanced himself from President Ronald himself from President Ronald Reagan on certain issues in

order to enhance his stature. The choice of the inexperi-enced 41-year-old Indiana Sena-tor as a vice-presidential candi-date is a source of concern to many voters, who worry about having Mr Quayle a heartbeat away from the presidency. However, there are signs that the Bush campaign is hop-

By Tim Dickson in Brussels

LOWER SUPPORT prices for

beef and a drastic cut in the

quantity of meat which the

European Community will guarantee to purchase from

farmers are among controver-sial new proposals which the European Commission is set to

The package of measures, which includes abolishing the

so-called "variable premium" subsidy so dear to British pro-

ducers, provides a timely

reminder that the much-her-

alded reforms of the Common Agricultural Policy negotiated at the emergency EC summit in February are far from com-

isters, moreover, is likely to give an indication of the

strength of the EC's commit-

ment to further farm cutbacks ahead of the December mid-

term review of the current

round of multilateral trade

talks in the General Agree-

ment on Tariffs and Trade, and

may well test the Commis-sion's resolve to administer

unpalatable new farm medi-

cine in the absence of serious

The problems of the beef

budgetary constraints.

ing that low expectations of Mr Quayle will help him improve his image in the debate. A recent Times-Mirror poll shows that fewer voters (34 per cent) think Mr Quayle is qualified to be president now than at the time of his selection in August

(41 per cent).

A hint of the tactics the Republican Party might use to enhance Mr Quayle's standing was provided on Saturday by Mr James Baker, Mr Bush's presidential campaign chairman. He suggested that Mr Bentsen, a conservative Demo-

Commission to propose lower support

price for beef and big intervention cut

regime are probably Brussels'

number one farm headache at present. The surpluses in the

sector were first tackled by the

EC Farm Council under the chairmanship of Mr Michael

Jopling in December 1986 when

guaranteed prices were cut by 13 per cent and other efforts

were made to make farmers

more responsive to the market.

actions failed to make a major impact are still the subject of

much debate in the Commis-

sion but any chance they might have had of working was ruined by the simulta-

neous tightening of milk quo-tas. The widespread slaughter-

ing of dairy herds to keep milk

production within the strict production cellings is a major

tain" of unwanted beef is today around 750,000 tonnes, com-pared with less than 600,000

tonnes at the end of 1986.

Beef was never seriously discussed in the negotiations

which led up to the famed

price cuts and quantity restric-tions bundled together in this

ear's much trumpeted "stabiyear's much trumpered stau-liser package. A modest attempt was made to tighten

ctor why the EC's "moun-

The reasons why these

shares many of the same posi-tions as Mr Bush and Mr Quayle. "The odd man out is the top of the Democratic ticket. Governor Dukakis," he

The vice-presidential debate will tend to keep the focus of attention from Mr Dukakis and Mr Bush for another week, to the contentment of the Bush

campaign.
Last week, the combination of the Olympic Games and the launch of the space shuttle quickly displaced speculation

up the system in the recent 1988/89 farm price talks but the

Commission's plan has always been to launch a determined

assault on the sector in the last

Some details of the package have not yet been finalised but it is understood that there will

The level of market prices which trigger "intervention" (i.e. guaranteed EC buying)

would be lowered in an effort

to diminish the importance of

A tendering system would be introduced forcing farmers to "bid" for purchases. Only

• An annual limit of 200,000

tonnes of beef would be placed on EC intervention buying. In

recent years up to 400,000 new tonnes annually have been pil-ing up in Community stores.

• The variable slaughter pre-

mium - a payment only made to British farmers - would be

ler cows and specialist beef berds would be increased.

be four main measures:

part of this year.

the system

televised debate on Sunday between the two men as the focus of news reports. Mr focus of news reports. Mr Dukakis is widely perceived to have performed well, and to have enhanced his standing by his articulate statement of his positions during the debate, but polls suggest that this has not changed many voters'

A new Gallup poil still gives
Mr Bush a slight lead of about
five percentage points, compared with seven before the
debate.

SHIPPING REPORT

Tanker market boosted by high Mideast output By Kevin Brown, Transport

Correspondent

RATES rose again in the tanker market last week as demand for tunnage increased on the back of high Middle East oil output and falling

for a VLCC to the West rose by around three points. The high-est reported fixture was a Nor-wegian-controlled ship of 300,000 tons at Worldscale 48.

There was also significantly increased demand for ultra large crude carriers, and the Saudi government agency was reported to have fixed up to five ULCCs for liftings this week. However, no fixtures were reported for ships in the lim harrels class, and only one. 1m barrels class, and only one 80,000 tons vessel was fixed — for discharge in Singapore at

Worldscale 30.

Brokers reported a surge of business out of West Africa, where a cargo of 123,000 tons to the US was fixed at Worldscale 70, an increase of 7.5 points over the previous week.

There was plenty of demand for the smaller ships in the Mediterranean, however. Vessels of 80,000 tons were being fixed at around Worldscale 85 to northwest Europe, with a premium of up to 7.5 points to

In the dry cargo markets, apot levels remained more or less steady, and the key US Gulf to Japan grain rate stuck

• Last week's report wrongly attributed comments to Gal-braith's suggesting that tanker market rates were weakening. In fact, Galbraith's reported that rates were improving in a rising market.

Chilean opposition fears rigging of plebiscite result By Barbara Durr in Santiago

CHILE's main opposition parties fear that the October 5 plebiscite could be rigged and that the Government will refuse to recognise a majority "no" vote against President

Augusto Pinochet.
In a statement published yesterday, the 16 parties of the "Command for the No" called on the armed forces to accept the country's choice. They are confident of an opposition vic-

Continuing division among the four-man ruling junta now centres precisely on a true count of the votes. Late last week, top members of the armed forces attempted to persuade Gen Pinochet to call off the plebiscite and hold free elections within 90 days instead. Gen Pinochet has remained unconvinced and dissenting junta members and other top military men share the fears of the opposition that the election results could be

rigged.
The official counting process is in the hands of the Interior Ministry. The opposition will also have a parallel count, and the first parallel counting of the first parallel coun gathered from its own poll watchers around the country. Both sides will use their own computers to announce prelim-inary results on the night of October 5. Final official results, which are to be announced by the Qualifying Elections Tribu-nal, are not expected for at least another 30 days after the

Dissenting sectors of the armed forces and the opposi-tion worry that there could be serious street disturbances while the final election results are tailied. The Command for the No has urged the public to stay calm and not be provoked. It also called public attention to the possibility of a govern-ment attempt to create a situa-tion on voting day that would invalidate the election.

Biggest political rally in 15 years urges 'No' vote

HUNDREDS of thousands of tinued to place campaign Chileans gathered for a final opposition rally on Saturday in Santiago in support of a No vote against General Augusto Pinochet in Wednesday's presidential plebiscite.

The rally was the largest political gathering in 15 years of military government and began last week as a "march of joy" from provincial cities in southern and northern Chile. culminating along the Pana-merican highway in Santiago. Rally organisers, who esti-mated the crowd at 1.2m peo-

ple, made a careful show of unity smoons the diverse politi-cal figures backing the No campaign, The daughters of the late Socialist President Salvador Allende and the late Christian Democratic President Eduardo Frei, whose fathers were long-standing rivals, appeared on stage together.

Pro-Government forces organised a horn-honking caravan of cars, buses and trucks which filled the streets of Santiago yesterday as its final cam-paign effort. Both opposition groups and government sup-porters broadcast their last 15minute propaganda programmes on television on Sat-urday, though both sides conadvertisements in the press and on radio stations.

A power cut blacked out Santiago and other cities along a 1,000-mile stretch of territory on Saturday night. Previous cuts have been attributed to bomb explosions by the Man-uel Rodriguez Patriotic Front, a small left-wing guerrilla group which two years ago attempted to assassinate Gen Pinochet.

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OVERSEAS NEWS

US and EC seek common rules on Labor in semiconductors

By Louise Kehoe in San Francisco

LEADERS of the US and European semiconductor industries have agreed to develop a common set of rules governing trading in chips and to seek the adoption of "com-plementary government pol-icy" towards semiconductor trade in the US and EC.

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The alliance was announced after a meeting of about 20 industry executives representing US and European semiconductor producers in Santa Clara, California, on Friday. The long-term goal, according to some participants, is to seek a trilateral semiconductor trade agreement with Japan. In the meantime however the US and European industrialists plan regular talks aimed at developing a common

approach.
Talks between the two sides follow sharp differences caused by the US-Japanese semiconductor trade agreement two sides the US years ago, under which the US Commerce Department sets Fair Market Values" (FMVs) for Japanese exports of mem-ory chips. This accord has been frequently blamed for the corrent shortage and high prices of memory semiconductors.

Among the issues on which the US and European industries may consult and co-oper-ate in future are:

 The form of the anti-dumping agreement that will replace the present FMV system. US semiconductor manufacturers have recently decided to seek a review of the pact under pres-sure from chip purchasers, who have been forced to cut production in some cases because of the memory short-

● Access for foreign manufac-turers of semiconductors to the Japanese market. This has been a contentious issue in both the US and Western Europe. Japanese companies are now the largest consumers of chips in the world, but few foreign companies have more than a footbold in the market.

• The question of Europe's 14 per cent semiconductor import tariffs. In principle, at least, both sides appear to agree that the tariffs should be

The possibility of reciprocal involvement by US and Ruropean semiconductor manufacturers in co-operative research. This includes projects such as Sematech, semiconductor manufacturing technology developments. ufacturing technology develop-ment backed by the US govern-ment, and Jessi – the European initiative aimed at creating similar production skills for the next generation of

Cain claims win for Victoria

MR JOHN CAIN, Victoria's premier, claimed a narrow victory for the Australian state's ruling Labor party after yester day's elections but the opposi-tion refused to concede defeat, Reuter reports from Melbourne.

Mr Cain claimed victory, which would give him an unprecedented third term at the helm of Australia's second most populous state, with 80 per cent of the votes counted. Mr Jeff Kenneti, the leader of the Liberal opposition, said the result of five marginal ats was still in doubt and could be decided by the large number of postal votes still outstanding. "The result could still go either way," he said.

The state government con-eded defeat in one of 47 seats held in the outgoing 88-seat state assembly. It did not rule out the possibility of losing a further two and only has 40 confirmed wins so far.

The Liberals had 31 seats and the National party 10 in

the old house. Political analysts said Victoria was vital to the country's federal Labor government following a crushing defeat in New South Wales, the country's most populous state, in March

Christina Lamb on an area of Pakistan where curfew has become a way of life PAKISTAN'S President Ghulam Isbaq Khan, right, has flown to Karachi to inspect the

IN the early 1970s Pakistan's then Prime Minister, Zufilkar Ali Bhutto, dreamed of turning Karachi, the country's biggest city, into another Beirut: a playground for rich businessmen where large deals would be struck by day, and large money spent by night. He even built a seafront casino.

Today that casino stands unused, the rotting baize tables, a victim of an Islamisa-tion campaign which forbade alcohol and most forms of entertainment. Karachi is another Beirut, but not the jetet playground Bhutto spoke of. Rather it is a city torn apart by ethnic violence, in a province that has become so alienated from the rest of Pakistan that some analysts say its only option is to break away.

Today's Karachi symbolises the hypocrisy of Pakistan. Glittering parties take place ille-gally in marble imitations of the White House, while in nearby ghettos people live like animals, with no water, elec-tricity or sewerage system. Safely inside their marble palaces, many residents no longer notice the newspaper reports of killings, kidnappings and university examination rooms being turned into battle-fields. After all, if one took them seriously it would seem that Karachi had become a den

of warlords possessing far greater firepower than the

area after violence in southern Pakistan in which more than 250 people have died.

evening when a group of masked gumnen occupied strategic positions in the town of Hyderabad and opened fire indiscriminately on shoppers, cinema goers and people leaving mosques.

In the massacre 186 people were killed and 250 injured. Troops were sent in to impose curfew, leaving many of the victims stranded in the streets which one resident described

police, who usually turn a blind eye for a bribe, can hope

In many poor areas curfew has become a way of life. The persistent armed conflict is aggravated by the gross mismanagement of the municipal authories, unable to supply water and power often for weeks at a time, while the transport system has totally collapsed. Many of those in the morable release on programme of marble palaces are unaware of problems, having their own generators, cars and even tubewells. What they cannot ignore is the gaudy graffiti on every corner, depicting axes and saying "Mohajir power, Superpower". Posters show

When the news reached Karachi, mobs took to the streets, burning cars and houses and looting shops in ethnic riots in which a further 65 people died. According to police and eye-witnesses, masked gunmen sprayed bullets at random. fore than a third of Karachi, Pakistan's biggest city, is still under curiew. Residents describe Pakistan's main com-mercial centre as "like a ghost town. No one dares leave their

Sind's ethnic problems explode into violence

as having "turned scarlet with blood". The town ran out of

young men waving Kalashni-kovs, emblazoned "Rights or

Karachi and Hyderabad, the two southern towns which experienced Pakistan's worst massacre this weekend in which 186 people were mur-dered in cold blood and a fur-ther 65, died in rioting and shooting incidents, are the main strongholds of the Moha-jirs, a largely middle-class com-munity of Urdu speaking Moslems who migrated from India after partition in 1947. These towns have become unwilling focal points of a four cornered struggle between Mohajirs, Punjabis, Pathans, and Sindhis. It is a struggle that many

coffins while urgent appeals for blood are still being broad-

> late President Zia deliberately provoked to justify a military budget of 33 per cent of GNP, and to keep himself in power through the old British device of divide and rule.

> Sind's problems began when after partition Mohajirs flooded into the larger towns of Sind, mainly Karachi and Hyderabad, replacing the predomi-nantly Hindu population which had migrated to India and filling the gap left in the profes-sional and administrative sec-tors. This new, rapidly middle class urban population stayed isolated from its Sindhi hosts. The next wave of migrants were Pathans looking for jobs

and Punjabis, retired army officers given lucrative plots or jobs heading national concerns, and bureaucrats taking over the administration on the basis of a new law which allo-cated jobs on the basis of population. Punjabis making up 64 per cent of Pakistan's 104m population dominate every sec-

After Bhutto as first Sindhi Prime Minister had given nothing but promises, failing to secure any concrete autonomy for Sind, the polarisation between Karachi and the centre and Sind and Punjab was crystallised during Zia's mar-tial law regime. When national politics was driven underground, a new politics emerged of student violence focusing on local or ethnic problems. Overnight a new party emerged demanding recognition of Mohajirs as a fifth nationality. In response to this Mohajir

militancy ethnic groups sprang up, claiming to represent Sin-dhis, Pathans and Punjabis. The flow of sophisticated arms from Afghanistan meant streetfights turned into bloodbaths. Initially most of the fighting was directed against Pathans who control the transport and therefore the drugs and arms smuggling from the north-west frontier. Drug barons ran their own armies as protection. Sind became a hotbed of ethnic vio-

Koreans succumb to Moscow's charm

By Maggle Ford in Seoul

FEW could have imagined it. As the Olympics drew to a close, at event after event, Kor-ean andiences were cheering for Soviet athletes, not to mention Hungarians, Czechoslova-kians, East Germans and Romanians. As the Games progressed the applause for the Eastern bloc tended to become even more deafening if the free world's superpower was com-

For a country which for 40 years has been taught to hate the communist. "Rad. Ramine" and to feel grateful for US military protection, the Games have been a resolution. Latent militamericanism, always aimmering in some quarters for despests positical and histori-cal reasons, has shown itself more obviously outside the Obvious states in marries and time the eyes of a poorly informed, propagandised popu-lation have been opened to the higher aspects of the commi-

ist nations.

Moscow started its highly accessful "chern offensive"

successful "charm offensive" with the despatch of the Bolshut Ballet and the Moscow
Pullharmonic Octoesta to the
Olympic Aris festival.
Starwed of Ingh quality Western drams, music and dance,
South Kereaus Bocked to the
fastival which also featured the
La Seale opera company from
Italy, the Comédie Française,
the Landon Pestival Occhestra
stad the London Contemporary and the London Contemporary Dance Theatre. By comparison, the US contribution of the Washington Ballet seemed

From the start the Soviet sportanen and women were busy showing their human side. Process Russian gynansit Nelli Kha, herself of Korean ancestry, was pictured making friends with a local girl, formerly a great but your discount from the comments and the start of th merly a gymnast but now disa-bled. A number of Russian delegstes who are ethnically Korean had emotional reunions with relatives they had not seen for decades. Local



yesterday declared a joint war on doping and said top ath-letes Edwin Moses and Sergei Bubka wonld jein a drugs summit to clean up sport, Reu-

tar reports.

At the end of an Olympic Games tainted by the disqualification of Canada's Ben Johnson, the National Olympic Committee presidents of the two countries said confidence. their to be restored. They said their aim was to swap drug testing teams and liboratory date, conduct joint research. alert athletes to the dangers of drugs and agree on standard penalties.

Korean musicians and singers were included in Soviet musi-cal performances in the prov-

twoid scandal, with no dis-puted decisions or dowing bans. As for the rest of the Eastern bloc, the Bulgarian weightlif-ters, the worst offenders in a

ters, the worst offenders in a Games plagned by drugs, were swiftly spirited out of town.

The Olympic Games had been expected to allow South Kores to show off its achievements on the world stage. But for the "hermit kingdom", whose people until this year were not allowed to travel, and whose access to information. were not allowed to travel, and whose access to information, literature and the arts was canonic fine to political reasons, the experience has been the reverse. The world has been on the stage and they have been the spectators.

After the hysteria has fied down, the result should he a far more balanced picture of the world. Already South Koreans are keen to see more of what Western Europe has to

what Western Europe has to offer, having seen its cultural achievements and realised that a European may be a different kind of foreigner from an

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'Watergate' row in Israel

THE slow-burning Israeli election campaign burst into life at the weekend, with the me at the weeken, win the right-wing Likud party accus-ing its main rival, the Labour Alignment, of mounting a Watergate-style spying operation against it. Labour acknowledges having

engaged the services of two former senior intelligence officers but it says the two men, Mr Peleg Radai and Mr Rafi Maiks, are only advising the party on safeguarding its own activities and information.

MAN A STATE OF THE STATE OF THE

A Likud spokesman claimed that confidential details of the that confidential details of the party's promotional blitz planned for the rm-up to the November 1 poll had reached Labour hands. "There are various signs that testify to the possibility of an Israeli Watergate affair on the part of Labour," said Mr Danny Naveb.

The traditional mud-slinging of an Israeli political campaign has been held in check until now by the long Jewish holidays which end tonight.

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Greetings

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pour in for

MR MIKHAIL GORBACHEV, the Soviet leader, has received congratulations from western and eastern bloc governments on his appointment to the post of Soviet President on Saturday, Reuter reports.

Mrs Margaret Thatcher, UK Prime Minister, sald in a message to Moscow that she hoped Mr Gorbachev's new title, with other changes he has made in his administration, will give impetus to the reforms the Soviet leader is trying to implement.

President Francesco Cossign

of Italy said he was confident that Mr Gorbachev's appoint-ment would give a new thrust

to world peace and co-opera-

in Rome announced that Mr Ciriaco de Mifa, the premier, will make an official visit to

the Soviet Union from October

13-16. His trip will be the first to the Soviet Union by an Hal-

ian prime minister since Mr.

The prime minister's office

OVERSEAS NEWS

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Serbian leader's position bolstered

By Aleksandar Lebi in

MR SLOBODAN Milosevic, leader of the Communist party in Serbia and the hero of a burgeoning Serbian nationalist movement, has reinforced his position with the apparent endorsement of his ethnic demands by federal leaders,

and the subsequent resignation of another top party official. But the organisers of a series of vast popular railies, called to bolster Serbian demands for more power over two autonomous provinces, have given no indication that they are willing

to suspend demonstrations.

There were fresh protest meetings in several towns on Saturday. Mr Bosko Krunic from

Vojvodina, one of the provinces whose status is in question, stepped down from the Communist Party's 14-man presidium, citing his "partial responsibility" for failing to solve Yugoslavia's acute

entis resignation was apparently linked to a pronouncement by the praesidium on Friday that Serbian demands were "consistent with the last party congress."

serbian leaders want increased power over both Vojvodina and Kosovo, a southern province where Serbs accuse the ethnic Albanian majority of practising discrimi-nation. The presidium called on the leaders of Serbia, Kosovo and Vojvodina to make urgent efforts to agree on con-

stitutional changes.
The resistance of Vojvodina politicians to demands for a more centralized Serbia has enraged the demonstrators, and Mr Krunic was one of many politicians whose down-

fall they have demanded. Earlier last week another member of the praesidium, Mr Franc Setinc from Slovenia, stepped down, and there has been speculation that a meeting of the federal party's cen-tral committee in two weeks' time will lead to more person-

nel changes. It remains unclear whether the Serbian protest movement will carry out its threat to make an unprecedented show of strength by staging a huge rally in Belgrade, which is cap-ital of the Serbian republic as well as Yugoslavia.

A team of experts from the International Monetony Fund will today hold talks with Yugoslav officials about Belgrade's appeal for an easing in the terms of the country's

KGB poacher turns gamekeeper

THE APPOINTMENT of Mr Viktor Chebrikov, hitherto chairman of the Soviet State Security Committee (KGB), to oversee the reform of the Soviet legal and judicial sys-tem, produced a hollow laugh when announced at an international news conference on

Of all the appointments made by Mr Mikhail Gorba-chev in his big revision of the top Soviet echelon, this might well be the most curious. Scepticism about the capac-

ity of Mr Chebrikov, widely regarded as one of the most conservative members of the Politburo, to oversee the creation of a "Socialist state based on law", is only natural. He had been head of the feared security police since December, 1962. The KGB, by definition, operates beyond the letter of

Yet the re-ordering of a series of key posts in the Soviet hierarchy suggests that the role of the KGB is being trimmed, or at least re-defined,

Col-Gen Vladimir Kryuchkov, the new head of the organisation, is neither a full member, nor a candidate member, of the ruling Politburo. Instead, the security services

are represented now in that body by the uniformed branch in that Mr Gorbachey has promoted his close political ally, Col-General Alexander Vlasov, Interior Minister, to candidate

membership. Moreover, Gen Kryuchkov comes from the external branch of the KGB - the First Chief Directorate - responsible for foreign operations and intelligence gathering rather than the control of internal political dissent.

He was a very close associate of Mr Yurl Andropov, the late Soviet leader and KGB chief who prepared the way for Mr Gorbachev's reforms. Gen Kryuchkov was a third secre-tary in the Budanest embassy, when Mr Andropov was ambassador during the Hungarian uprising of 1956, moved with him back to the Soviet party's central committee in 1959, and again with him to the KGB in 1967.

Although 21 years in the KGB high command do not suggest that he will willingly conspire to reduce its influence, he seems certain to be more concerned with external than with internal security.
The promotion of Gen Vla-

sov brings another close Gorbachev ally into the top flight -he was a party official in the ruption during the Brezhnev

If Mr Gorbachev is genuine in his determination to restore the rule of law, and prevent officials – of the government, the party or the KGB – acting outside the law, then the Interior Ministry should rank above the shadowy KGB.

Several recent indicators -

albeit marginal ones — have suggested that the KGB recog-mises its own limitations. Mr Chebrikov said last month there should be more glasnost (openness) in the organisation, although "100 per cent glasnost is absurd." A major article in Kommunist, theoretical journal of the Communist Party central com-

mittee, by Mr Vladimir Ruba-nov, head of department in the KGB research institute, argued that openness ought to be the rule, not the exception. The security service has admitted to having ordered the falsification of all maps of the

Soviet Union, a practice which it says is to be discontinued. The border zone restrictions have been lifted in the Soviet

Soviet leader's home base of the northern Cancasus, it also gives a restored profile to the uniformed branch of the police, discredited after years of cordinate of the police of the poli ation in border areas.
As for Mr Chebrikov, he has relinquished his KGB post.

albeit for a more senior posi-tion as a full secretary of the central committee. Mr Andropov made the same move on his way to the top so it cannot be seen as demotion. Even so, it means Mr Chebrikov no longer has immediate call on the resources of the KGB in any attempt to slow reform. More-over, he is taking over a port-folio with a specific mandate: to ensure the future rule of law, and the independence of the judiciary. As poacher turned gamekeeper, he should know the ways in which both

have been subverted.

The first test of the changes will come when the proposals for a new judicial system and a new penal code are published in the coming month. They will have been finalised and approved by Mr Chebrikov's

it will take much longer to see whether the balance of power between the security services is to shift in favour of the overt uniformed branch and away from the covert oper-

tion about their meetings and

their members often lost their jobs, delegates said.
"The atmosphere in Lithu-ania is very edgy," said Mr Romandos Urzulas, a leading member of the Lithuanian Pop-

ular Front. "Force is being

applied against us."
The Lithuanian group,

Bettino Craxi went to Moscow in May 1985. President Chaim Herzog of israel sent a telegram to con gratulate Mr Gorbachev and urged him to move to restore

relations with Israel, which were severed by Moscow over the 1967 Middle East war. Mr Gorbachev's appointm was also welcomed by eastern

bloc states Mr Erich Honecker, the East German leader, effusively con-gratulated Mr Gorbachev: "In you, the Supreme Soviet has elected to the highest office an outstanding Marxist-Leninist and an internationally

esteemed statesman."
President Gustav Husak of Czechoslovakia and Mr Milos Jakes, the Communist Party chief, praised Gorbachev's leadership in a telegram to Moscow and said his election would enhance the current Soviet programme of reforms. Mr Todor Zhivkov, the Bul-garian leader, sent a telegram to urge continued co-operation and restructuring in both

Mr Karoly Grosz, the Hungarian leader who has intro-duced widespread political and social reforms since his elec-tion in May, wished in his tele-gram for "further success in the consistent continuation of transformation and democrati-

President Nicolae Ceausescu of Romania, who has not followed Mr Gurbachev's reform programme but says he has introduced his own economic and political changes, sent a telegram to emphasise the importance of cordial Soviet Romanian relations.

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Estonians call for national autonomy

A LEADER of the Estonian Artists' Union made an impassioned plea for self-determination for the Soviet Baltic republic yesterday, at the foun-ding congress of the Estonian Popular Front, Reuter reports from Talinn. The congress, due to end late

yesterday, was called to elect officials for the Popular Front, which claims up to 300,000 members since it was formed in April. It will also adopt a programme calling, in essence, for greater political, economic and cultural autonomy from

The Estonian Communist Party, partly as a result of the front's influence, has gone fur-ther than most other parts of the Soviet Union in implementther than most other parts of Union in 1940. Union in implementing the Kremlin's reform pro- from changes at the weekend media, apparently acting under orders from the Communist Party, did not print informa-

gramme. "The people in the Kremlin must hear what our nation believes," said Mr Heinz Valk as 3,000 delegates at the officially authorised congress rose to their feet, clapping and waving clanched fists. "Who said nations do not have the freedom in their own hands but instead must ask for

"We cannot wait long for self-determination." His words were dramatic even by the standards of the two-day congress, which has clearly demonstrated the wind of change and resurgence of national feeling in Estonia an independent state before its annexation by the Soviet

it humbly?" Mr Valk asked.

strengthening the impetus for reform, demanded protection for Estonian culture and language, greater religious free-dom and a civilian alternative to military service. Mr Vaino Valyas, Estonian

in the Kremlin, seen as

Communist Party leader, addressed the congress yester-day, but representatives of siments elsewhere in the Soviet Union complained they were still harassed by party authorities. Delegates from the Soviet republics of Latvia, Lithuania, Moldavia and Byelorussia – and the cities of Moscow, Leningrad and Odessa – said that their work was still difficult. Local

of radioactive debris.

ciaiming about 100,000 supporters, has organised protests against the Ignalina nuclear power station, considered unsafe by local experts long before a recent fire broke out Mr Urzulas said that a rally

by the movement was broken up by the authorities on Sep-tember 28 and eight people were arrested. They were released after pressure from the local front.

Satellite ejects nuclear reactor to safety before re-entry

THE NUCLEAR heart of the Soviet satellite Cosmos-1900 is orbiting the Earth about 700km

giobal consternation until late on Friday because of its impending reentry to the atmosphere. The concern had out or the next few hundred concentrated on the craft's years, nucle to the selief of emergency planners around nucleus reactor, used to provide power for the satellite's sensors.

The space vehicle, which was used for military surveil lance and went out of control in the second selection.

in the spring, had been causing have been caused by the

In the event, the four-tonne spacecraft spiralled into the atmosphere on Saturday, most of it burning up over the Atlan-

only hours before by an auto-

break-up of the reactor above inhabited parts of the world and the subsequent scattering matic mechanism that lifted it from the satellite's orbit about 180km above the Earth into

one 700km high.

According to space experts, late on Friday night, Cosmos-1900 ran out of the fuel needed to keep it in the correct orientation. The vehicle started to sway, a movement which trig-The reactor was separated gered a pre-set ejection of the

TODAY, ONE WATCH REIGNS SUPREME.

Tibet simmers quietly as key anniversaries pass

ENSION hangs over the streets of Lhasa, the capital of Tibet, which is in the middle of a series of crucial anniversaries. Chinese that a demonstration had been crucial anniversaries. Chinese and Tibetans alike are grimly recalling the days of unrest a year ago which led to the destruction of a police station and at least aix deaths. In Peking, the leadership attempted to defuse the discontent by announcing last Thursday an allegedly independent new commission to run Tibetan Buddhism.

To be headed by the Pan-

Tibetan Buddhism.

To be headed by the Panchen Lama, a spiritual leader second only to the exiled Tibetan god-king, the Dalai Lama, this will "guide" Tibetans in religious matters and be free of interference from government officials. In his statement announcing the move, the Panchan, who lives in China, attempted to pour fur-ther oil on troubled waters by claiming a close relationship

But on the ground, the Chinese are getting tougher. Some 200 Chinese police armed with staves, shields and steel helmets sealed off the centre of Lhasa on Saturday, China's

national day.
This week brings another important date. October 7 marks the 38th anniversary of the Chinese invasion of Tibet. A carlew has been imposed on foreign visitors. Police are patrolling the streets around Tibet's holiest shrine, the Jok-

hang temple.
Last Tuesday, first anniversary of the arrest of monks demonstrating for Tibetan independence, security men closed off the town's main closed off the town's main square. About 20 Chinese and Tibetan prisoners were driven round Lhasa last Monday to a public trial in the square.

Feelings have been running high. Posters calling for Tibetan independence are regularly put up in the Barkhor avenue outside the Jokhang, and as regularly removed by police. At Ganden, a mountain monastery outside Lhasa an monastery outside Lhasa, an English-language sign reads "Chinese Go Home." The Tibet Information Office

in Delhi said that an armed propaganda squad had arrived in Lhasa from Peking on Sep-tember 3 to expel from the

year. The statement confirmed that a demonstration had been planned for October 1, but that

Peking's policy is a mix of political conciliation and tough police tactics, reports Colina MacDougali

China had warned that Tibet-ans would face death if this went ahead.

Last year's riots were initially sparked by the execution of two Tibetan nationalists, on the charge that they were ordi-nary criminals. Anti-Chinese feeling since then has been inflamed by the repression which followed:

The riots in March this year, when a prayer festival intended by the Chinese to demonstrate freedom of religion turned into a pro-indepen-dence protest still more violent than last October's, caused at least eight deaths and perhaps many more.

The harsh Chinese clamp-down since, accompanied, according to foreign visitors, by the abduction and torture or killing of suspects, has reduced Tibet to simmering slience. Qiao Shi, key member of the ruling Polithuro Standor the runing reductive Scienting Committee with a long career in the security service, paid an important visit to Tibet during the summer when he said opposition to China should be repressed "merci-leasive"

Ominously, the most senior party official in Tibet, Wu Jinghua, was apparently replaced earlier this year by the region's military commander, flang Hongquan, who is likely to favour touginess over coverlication.

One factor which may out-weigh that is Peking's concern to defuse international murmuring over its occupation of Tibet. This has multiplied over

the past year. The Dalai Lama, Tibet's spiritual leader who fied the country for India in 1959, has embarked on a quiet campaign to attract world attention to the plight of his country, now treated by China

country, now treated by China virtually as a colony.

The Dalai's campaign culminated in June with his presentation of a new initiative to members of the European Parliament at Strasbourg. He proposed a deal with China under which Tibet should have internal independence while Peting. wall the should have mer-nal independence while Peking retained responsibility for for-eign policy and defence.

To avoid allerating the inter-

national community, China did not reject this out of hand, though it has dismissed the idea that Tibet should have any form of independence or

Last week, however, as the Dalai was due to start a visit to Denmark, the Chinese embassy in Delhi released a proposal for talks (excluding the independence issue, however) at "any place he wishes."

place he wishes."

This was a concession by China, which has previously insisted that all talks take place in Peking, and welcomed as such by the Dalai's officials. But no talks are likely to get going until China seems likely to give some ground on autonomy.

The spiritual leader's June The spiritual leader's June proposal angered militant Tibetan exiles, who hold out for nothing less than full independence and now say that while they respect the Dalat, they disagree with him. They cisim to be ready to continue the fight for freedom, although how to do so agreeme for from how to do so appears far from low to do so appears far from clear. Any such programme would need tacit support from India, now in process of improving its ties with Peking. In the long run it is in China's interest to secure the Dalai's co-operation to pacity Tibet and enable some economic development, to which it has recently begun to pay more attention, to progress. more attention, to progress. But in the immediate future it is not likely to offer him more

than a figurehead post similar to that held by the Panchen

Lama. As the chances of his accepting that are nil, the pres-

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OVERSEAS NEWS

Computer rivals | Horizons widen in export credit insurance world meet to discuss standards battle

By Alam Cane in London

LEADING manufacturers from the US, Europe and Japan are to meet today near Boston, Massachusetts, to try and end a battle over standards which has divided the data processing industry and left computer users confused and irritated.

The argument concerns which version of a software program called "Unix" should be adopted by the world's comouter manufacturers as a com-

Versions of Unix have been developed by all the major vendors but two are in contention standard: System V from glant, and Aix from IBM, the computer maker.

Unix was developed by AT&T which licenses it to other manufacturers to use with their computers. But a group of seven vendors formed the Open Software Foundation (OSF) to develop a competitive standard based on IBM's Aix. Since then, there have been discussions between the two groups with the intention of resolving their differences and

settling on one common version of Unix. At the end of last week the board of the OSF met at its headquarters near Boston to decide strategy.

Drugs charge Haitian colonel forced to quit

powerful figure in the Haitlan military, Lt Col Jean-Clande Paul, has been retired from his post, AP reports from Port-au-Prince.

Col Paul has been a target of US criticism after being charged in the US last March with conspiring to import cocaine into the country, a charge he has denied.

Popular with his troops, Col Paul was so far the only major unit commander to cling to office after last month's enlisted men's coup that over-threw Haitian ruler Lt Gen Henri Namphy and placed Lt Gen Prosper Avril in power. A brief announcement on state-run television said Col

A CONTROVERSIAL and Paul was retired from the army and his post as commander of

a key barracks. One diplomat described Col Paul's dismissal as a "master-stroke". There were predic-tions the US government would respond with a resumption of its \$60m a year aid package, which was cut off after last year's election-day acre, when thugs killed 34 people at the polls.

The situation is positive and encouraging," embassy official said.

Soldiers who staged the compagainst Gen Namphy said they originally wanted to name Col Paul as armed forces chief, but decided not to because of the drug charges.

Peter Montagnon describes how a normally sedate sector is waking up to the post-1992 realities

A SHAKE-UP is looming in the normally sedate world of export credit insurance as offi-cial agencies and private sector companies gear themselves up for the advent of the single European market in 1992.

Long used to working within carefully defined national boundaries, export credit insurers have begun to realise that 1992 poses a difficult challenge as, for the first time, they contemplate the development of genuine trans-national business. Mr Harry Groen, chief executive of the Dutch export credit agency NCM, says that in the context of 1992 "it would be unthinkable for the market to remain the same as it has in the 1980s."

Leading players in the market like Mr Groen are still far from certain about what exactly will happen after 1992, but a consistent theme of their conversation is that cross-border competition will intensify, that the private sector is better placed than state-run agencies to take advantage of the new opportunities, and that the largest potential losers are therefore organisations such as Britain's Export Credits Guarantee Department (ECGD) which is an arm of govern-

It was largely for this reason that the ECGD initiated a far-reaching review of its sta-tus earlier this month which is to confront head on the long-debated question of privatisa-tion. Elsewhere, other agencies in both the private and public sector are re-examining their

Their soul-searching has been made more difficult, how-

ever, by the multiplicity of institutions involved in the credit insurance business. On short-term portfolio under the one hand are public sector agencies such as the ECGD which are obliged by statute to exports a year.

Mr Malcolm Stephens, its support national exports. On the other are schemes such as those best represented by NCM chief executive, acknowledges and Hermes, the West German

Waiting in the wings are also some major private sector export credit insurers, such as Britain's Trade Indemnity, and domestic credit insurance concerns, such as West Germany Aligemeine Kredit, which might be tempted to enter the international market as a

insurance concern. Both are

private sector credit insurers

that reinsure some risk with their own national govern-

result of 1992. Inside the ECGD itself, the fear is that foreign firms will enter the UK market, using their own home country exper tise to prise business out of British exporters to their country. The ECGD, which is restricted by stainte to sup-porting British exports, could not reciprocate in kind because that would involve supporting the exports of another country.

At stake is not so much ong-term political risk insurance on export credits but the generally more lucrative, if lower profile, high volume business involving commercial risk insurance on trade within the EC itself.

Such business has been a mainstay of official export credit agencies which insure manufacturers against default due to bankruptcy of their for-eign clients. At the ECGD, EC-

Mr Carrington used the con-

which it provides cover on some £11bn worth of UK

EUROPEAN MÄRKET

that after 1992 it would be possible for, say, a Spanish com-pany which writes credit insurance in its own domestic market to set up shop in the UK and offer British exporters to Spain a specialist service based in its own knowledge of Spanish industry and comspanish industry and com-merce. But he says that the ECGD will be able to respond by offering a complete package of insurance products with workdwide reach.

He notes that 1992 in fact

offers the ECGD a big oppor-tunity because by using the more flexible and speedier response to inquiries it has developed in recent years, it should be possible to offer its services to companies which are now being "sensitised to Europe" but have not until now been involved in selling

That is unlikely to prevent organisations from other countries trying their hand, how-ever. NCM, which does not generally operate outside conti-nental Europe at the moment, is generally regarded as being the most aggressive in this respect

Mr Groen denies rumours

that it is planning to set up an office in London, but in general terms he is unequivocal about his company's determination. "The Netherlands is a rather small economy," he says. "Our home market is only 30,000 companies and was a the companies and we are the number three in terms of premium income among credit insurers. It's not my intention to be a subsidiary of another

NCM's advantage is that although it acts as the Nether-lands' official export credit insurer, it is structured as a private company and already writes credit insurance in its domestic market.

Hermes, which is structured along similar lines to NCM, will not go into detail about its plans for 1992. However, to improve its own flexibility, Hermes earlier this year secured the right to insure the commercial risk attached to export credits on its own account rather than under its mandate from the federal Government in Bonn.

Even less clear are the plans of Coface, France's state export credit insurer which is a statecontrolled company that basi-cally works for the government and does not underwrite domestic risk. Market reports say that Coface has discreetly stepped up its contacts with the private market, possibly with the view to considering new forms of collaboration.

own way. According to Mr Terry Bridgman, assistant gen-eral manager of Trade Indem-nity, the UK company which has emerged as a significant competitor to the ECGD, new EC regulations will mean that private sector insurers will

have to put up reserve require-ments on their business while state-owned concerns will not. For its part Trade Indennity is looking to expand abroad. The company does not intend to open offices on the Continent, but will operate there through brokers. Mr Bridgman believes that

the main tussle for new business will come in the large markets of France, West Germany and lialy. Most cross-bor-der business initially is likely to concentrate on higger comries offering high turnover while smaller companies will be left to national insurers.

The danger is that incre competition could lead to a damaging premium war, par-ticularly if the total market does not expand, Mr Bridgman adds. NCM's Mr Groen echoes this point: "In coming years there will be a concentration of insurance companies." So far the question of

whether intra-European business will be definable as exports after 1992 has remained a highly theoretical one. But an agency like the ECGD, which relies heavily on intra-European business, would be hard hit if, as some legal experts suggest, it would no longer be able to apply a government guarantee in this sector after 1992. Mr Stephens

vent it from continuing to do so, but another leading insurer to cast doubt on this is Mr Roberto Ruberti, head of SACR Italy's state export credit

insurer.

Will there be such a thing as a British or an Italian exporter after 1952. he asks.

I don't think enough thought has been given to this ques-

tion." H a single European market: really does develop after 1992, there should not be any sub-Italian export to, say, Iraq or a UK export to the same country. Both should count as European

exports he says. Currently, however, there are widespread differences in conditions attaching to such cover. In the interests of fair competition after 1992, the major state export credit agen-cles such as the ECGD, SACE much harder to harmonise their policies

believes such a harmonisation could evolve into one pan-Eu-ropean official ropean official export credit agency responsible for insuring all Europe's overseas business. To many others such an idea mains an impracticable pipe

Closer to reality, however, may be a vision of a European market where short-term Com-munity business is increasingly handled by large private sector companies encroaching beyond their national borders, while the once-powerful state agencies are pushed inexorably towards the less attractive

ACP call for fundamental review of trade relations with EC

By Peter Montagnon, World Trade Editor

FORTHCOMING WORLD ECONOMIC INDICATORS INDUSTRIAL PRODUCTION (1985 = 100) July '88 111.46 Aug '88 111,7 Aug **187** 108.1 July '88 110.3 105.0 July '87 107.1 Jun '88 109.9 107.4 plan for a single market in 1992 and the Uruguay Round of multilateral trade liberalisa-101.8 tion talks means "we are fac-ing probably the most crucial

he told a London conference. renegotiation of the Lomé Convention must involve a fundaference, organised by the West mental reappraisal of trade and India Committee, to list several aid relations between the European Community and develop-ing countries in Africa, the Caribbean and the Pacific (ACP), says Mr Edwin Carring-ton, ACP Secretary General. The background of Europe's

wide-ranging concerns ahead of the opening of formal renegotiation proceedings in Luxembourg next month. The new convention had to bring development prospects to the ACP countries which existing arrangements have falled to deliver, he said. The 66 countries which made up the ACP covered half the develop-ing world, but, despite 25 years of preferential treatment from negotiation since we entered this relationship with the EC," the EC, not one had climbed

into the league of newly industrialising economies, he said. From now on emphasis had to be placed on the ability of ACP countries to process the commodities they produced rather than belong them with nfrastructure and preferential access for their raw products to European markets.

The signs of such a shift in direction were "not particu-larly good," he added. "The word 'manufactures' is alien to the Lomé Convention. Mr Carrington added he was worried about the EC's failure

so far to agree among itself on

the convention. The rich countries of northern Europe were opposed to increasing aid and the poorer countries of southern Europe were against further trade concessions. "We are caught somewhere

the world's international banking institutions.

in between - between a rock and a hard place," he said. Meanwhile, the importance of the ACP countries to the EC was diminishing as its trade with Latin America and Asia

a mandate for renegotiating

The preferences ACP countries enjoyed in their trade with Europe would be croded

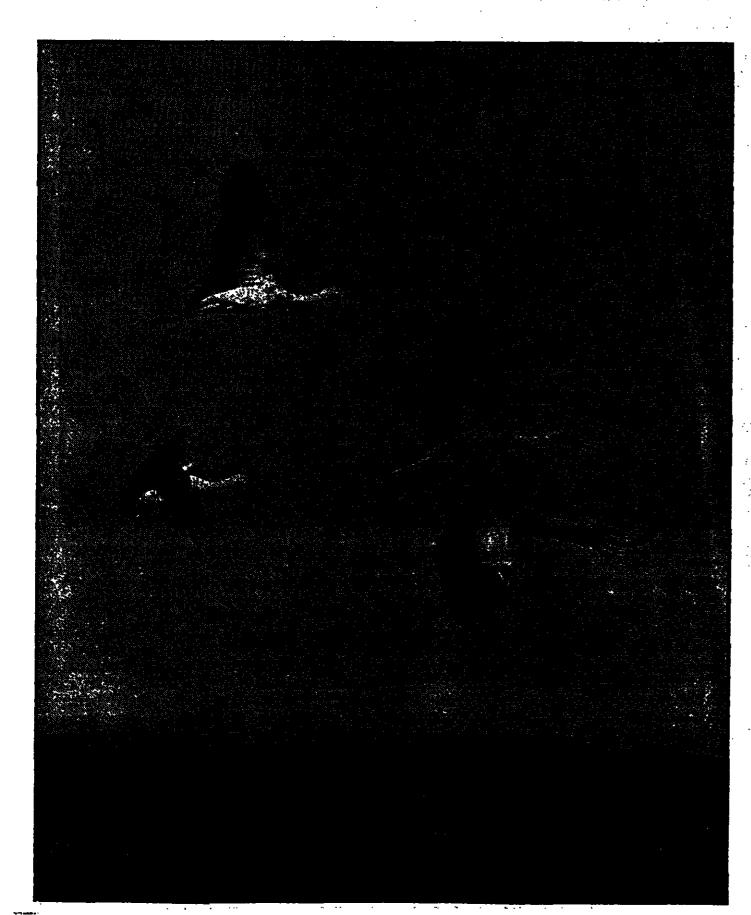
by multilateral concessions, particularly on tropical prod-ucts, made in the Uruguay

"The hope is that what we lose on the EC roundabout we'll gain on the rest of the world's swings," he said, but there were no assurances and the EC should be prepared to compensate for this in the

Lome negotiations. In contrast with EC officials who argue that there is little further room for trade concessions under a new Lomé Convention, Mr Carrington listed a range of trade-related subjects

addressed if ACP countries were to succeed in stepping up their ability to process raw materials at home.
These included improve25 5 5 5

ments in the EC's rules of origin which, as currently defined, penalise ACP countries who seek to procure industrial components and raw materials from suppliers outside the EC and ACP. But he also expressed great concern over the growing tendency of the EC to concentrate on structural adjustment in its aid spending.



A lot of it is landing safely at Yapi Kredi. Turkey is now one of the most dynamic of the world's emerging markets. Last year the Istanbul Stock Exchange Index rose by 350%; and the country's foreign trade is shaping up to show an equally dramatic pattern of growth. As opportunities expand there is one bank ideally placed to service the interests of the international trading community. Yapi Kredi. In 1986, at Yapi Kredi we handled 12% of Turkey's foreign trade. Last year our share increased to 18%. Currently we are sending more than 150,000 foreign cheques a month for collection. This success is the tangible result of a philosophy that has given depth to all of our activities since the bank's foundation 44 years ago. A dedication to people, employees as well as customers. A dedication to new ideas. A dedication - symbolised by the bird we chose to embody our corporate style - to deliver. Today we have 584 domestic branches and 9 representative offices in the world's major industrial countries plus an offshore banking unit in Bahrain. We are co-operating with more than 500 major correspondents worldwide. We are the leading bank in Turkey's capital markets and the first to establish a Treasury Division. We are a bank proud of our local origins, but equipped and confident as we take our place amongst

More and more foreign trade is flying into Turkey.



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to Turkey:

THE ENGINEERING industry may double its trade deficit hetween 1987 and 1988, according to a forecast today by the Engineering Employers' Feder-While exports of the sector as a whole have been expanding at a reasonable rate, engi-

neering imports are predicted to rise from £38.47bn last year to 245.21bn in 1988. That would lead to the trade

deficit's rising to £8.37bn this year, compared with £4.18bn in 1987. The federation forecasts a further rise in the deficit in 1989 to £9.65bp. Much of the deterioration in

the trade figures for the sector, which are reported in the latest edition of the federation's bulletin on economic trends. are the result of increased import penetration in motor In that sector, the deficit is

expected to increase by nearly 22bn, from £4.98bn to £5.98bn, between 1967 and 1988. The mechanical engineering sector has also performed badly from the point of view of

the trade balance - a positive

Inquiry urged

into killings

in Gibraltar

AN INQUIRY should be

launched into the SAS killing of three bomb-plot terrorists in

Gibraltar to prevent the IRA being handed a propaganda

coup," Mr Peter Barry, Ireland's opposition foreign affairs spokesman, sald yester-

day. Mr Peter Barry, of Fine Gael,

said he had little sympathy for the dead terrorists, but added that he wanted an inquiry to

He said questions about the shootings on the Rock remained in spite of the ver-dict of lawful killings returned

by an inquest jury on Friday. He also supported the British

Labour Party's call for the inquest now to be followed by

a more thorough inquiry into how the IRA trio died.

Speaking on BBC radio, he said: "I do not want to drag

down the security forces in any

Avoiding a full judicial

inquiry, Page 29

reinforce the rule of law.

Mechanical engineering covers a range of individual sectors of business, including machine tools and other production equipment Imports of such equipment may, say some economic comentators, eventually benefit Britain's overall trade balance

Engineering trade deficit

'may double this year'

deficit this year.

by helping to stimulate exports of finished goods. The remainder of the deterioration in the overall trade figures of the engineering sector is accounted for by relatively small fluctuations in the net balance between imports and exports in the case of three other individual parts of the business - electrical and instrument engineering metal

goods and transport equipment unrelated to motor vehicles. As far as output of the engiering sector is concerned, the twice yearly bulletin says prospects are generally good. However, production, which

next 18 months - largely as a result of high interest rates, balance of £1.4bm for 1987 is likely to be replaced by a slight

according to the federation.
The bulletin says the high rates will lead to a reduction in the rate of increase in consumer spending and make new investment projects in the engineering industry less

likely.
Total output of the industry
in 1988 is likely to be £107.63hn,
compared with £95.64bn last year. Sales are due to rise further to £117.66bn in 1989.

The figures mean that expansion of the industry, measured at constant prices, is likely to proceed at roughly half the rate over the next 18 months compared with the past 18 months. Companies selling aerospace and electronics equipment are likely to record good sales increases, while prospects for sectors involved with motor vehicles, instruments, metal goods and mechanical engineering are

less good. Engineering Economic Trends, Engineering Employers' Federation, Broadway House, Tothill St, London SWIH 9NQ.

Government will outline initiatives on pollution

By Peter Riddell. Political Editor

A CONSULTATIVE document outlining government initia-tives towards pollution control and the environment will be published during the winter. parliamentary under-secretary at the Department of the Envi-

would be undertaken. She referred to the integration of policy and inspection

and discharge of waste, acid rain and pollution control. The intention to produce such a consultative document

Mrs Virginia Bottomley, a ronment, yesterday confirmed in a BBC television interview that a consultative exercise

concerning water, land and air Among the topics expected to be reviewed are action on the importation, processing

was reached well before Mrs Thatcher's unexpected speech last Tuesday to the Royal Society in which she highlighted the damage done to industrial societies by environmental ference season.

has grown significantly in the past two years, is likely to increase less rapidly over the

Department of Environment ministers were as surprised as commentators by the speech, although there has been an increased tempo in recent

months in government activity concerning "green" issues. Mr Nicholas Ridley, the Environment Secretary, stressed last week how much Britain had already done to tighten up environmental controls in line with international

No decision has yet been taken on whether the consultative document should be followed by legislation; the earliest this might happen would be in the 1989 to 1990 parliamen-

tary session. However, ministers are aware of the growing political importance of environmental issues, which have been stressed by opposition politi-cians in the current party con-

Welsh extremists bomb estate agents

By Ian Hamilton Fazey

WELSH nationalist extremists carried out seven near-simultaneous fire-bomb attacks on estate agents' offices in English villages, towns or cities near the border during the weekend, but caused only minor damage. No one was iniured.

The attacks, which follow similar but isolated incidents earlier this year, are believed to be part of a campaign against English people buying homes in Wales.

Their significance is that they were spread over the full 140 miles of border between Merseyside and Bristol – having a greater propaganda effect — and must have involved several conspirators.

An organisation calling

itself the Sons of Glyndawr claimed responsibility for the attacks in telephone calls to the Samaritans in Chester and the Press Association. The properties are adver-tised and sold in England, par-

ticularly in better-off areas within easy reach for weekend use as second homes, and are in great demand. Rising prices have been

making it difficult for young Welsh locals to get into the Gwent, in South Wales, has been particularly affected because the M4 and high-speed rail links have greatly improved accessibility to Lon-

Young married couples are having to look in poorer parts of Wales or England if they want to start on the house-

owning ladder. The attacks all appear to have been timed for about 11 pm on Saturday.

Two were made in the Wir-

ral peninsula in small towns facing North Wales across the Dee estuary, two in Wellington, Shropshire, one in Worcester, one in Chipping Campden, Gloucestershire, and one in Bristol. They appear to have been placed symbolically near the main roads into North, South

and mid Wales, and in upmarket high streets. Investigations are being coordinated by a Special Branch officer attached to Merseyside Police Force,

Top merchant banks ranked

By Martin Dickson

SCHRODER WAGG and S. G. Warburg were the leading mer-chant banks advising UK com-panies on takeover bids in the first nine months of this year, according to league tables com-piled by FT Mergers and Acquisitions, a monthly magazine.

Schroder Wagg ranked first in a table covering bids for publicly quoted companies, advising on completed deals worth £7.17bn. In the comparable league table for the whole of 1987 it ranked third. S. G. Warburg ranked second

- the same position as last year - in this category of bids, advising on deals worth £6.6bn. Morgan Grenfell, which for many years dominated takeover league tables, is in third place, with N. M. Rothschild fourth.

However, the table does not include advisers who may have helped a company in a bid yet over literature. It also allows

CORNER shops selling

confectionery, tobacco and newspapers — called CTNs in the trade — are practically the only type of retailer that has resisted the march of the multiples, according to a report on the sector by Verdict Research.

The secret of their success

The secret of their success

has been their domination of newspapers and magazines.

Because such goods are not

subject to price cutting and the trade has not been lost to supermarkets to any large

extent, CTNs should continue

to succeed, Verdict predicts.

However, the company believes there will be some gradual increase in the multiples' share of the £8.4bn market in coming years.

There are about 45,000 CTNs in the UK with independents owning about three grayters.

owning about three quarters,

Verdict reckons. Shop numbers

have been relatively stable,

falling from 48,000 in 1976. On average, a CTN makes 41 per cent of its gross profits

from newspapers and maga-

zines, 12 per cent from tobacco

and 12 per cent from confec-

Research, 112 High Holborn,

London WCI 6JS, £450.

Verdict on CTNs, Verdict

tionery.

Bids for publicly quoted companies - Jan to Sept 1988 (financial advisers named in documentation of completed bids) 1987 full year position 1 Schroder Wagg 2 S.G. Warburg 3 Morgan Grenfell 5,553 4,039 3,885 4 N.M. Rothschild 5 Kleinwort Benson 6 County NatWest 7 Lazard Brothers 8 Shearson Lehman 9 Samuel Montagu 10 Lazard Freres (NYK) Source: F7 Mergers and Acquisit

all named advisers the full value of the bid, rather than dividing it among them.

A second table, adjusting for these factors, shows S. G. War-burg as the leading adviser, fol-lowed by Schroder Wagg and Goldman Sachs, the US investment bank, which has had some involvement in several large deals this year.

Large bids in which Schroder was involved include BP's £2.5bn offer for Britoil and the unsuccessful defence of Rown-tree against Nestlé. Warburg advised Jacobs Suchard in the three-cornered fight for Rowntree and was also joint adviser to Goodman Fielder Wattie, the Australasian group, in its bid for Ranks Hovis McDougall.

Corner shops Study reveals trend resist inroads in corporate finance of multiples By Maggie Urry

By David Lascelles, Banking Editor

UK COMPANIES are beginning to concentrate more of their financing business with banks that provide a broad range of services, including capital mar-kets and corporate finance services, rather than with special-

That is the main conclusion of a new survey of the corporate finance industry in the UK by Greenwich Associates, one of the leading research compa-nies in the financial services market.

The Greenwich study, based on interviews with 565 users of banking services, shows that clearing banks are benefiting most from this trend.

The study adds weight to the view that groups that have tried to combine securities activities with their more traditional corporate finance and commercial banking operations in the past few years will gain a competitive

advantage.
Although the report does not name any institutions, they would include clearers such as Barclays and NatWest, which have entered the securities business in a big way since the liberalisation of the Stock Exchange in 1986. The opposing view holds

that UK companies will prefer to deal with smaller, independent houses where they get more personalised service and where there is a lesser danger of the bank suffering from conflicts of interest.

However, Greenwich's find-ings are not clear-cut. The survey shows that UK companies are not pressing banks to widen the range of their ser-vices, but that, in practice, they are tending towards banks that offer integrated commercial banking, merchant banking and brokerage ser-

Mr Allan Munro, one of the consultants who prepared the report, said: "Universal bank-ing may not have arrived in Britain, but it is clearly on its

"Although UK companies are neutral on the theory, they are positive on the practice. And the financial institutions that are becoming universal are the major beneficiaries."

Major Shifts, Big Comeback. Greenwich Associates, Office Park Eight, Greenwich, Connec-ticut 06830, USA.

Swift and Reuter drop global risk venture

By Alan Cane

A JOINT venture in electronic global risk management between Swift, the organisation that runs the international banking community's computerised messaging system, and a subsidiary of Reuter, the world's largest electronic pub-lisher, has been abandoned after 18 months without a sin-

The joint company, called Georisk, was formed by Swift and L P. Sharp, a computing services company that operates an international data network and was bought by Reuter in April 1987.

Electronic global risk management, whereby an organisation can examine assess and modify its exposure to risk across the world on a momentto-moment basis, has assumed increasing importance as financial institutions have come to terms with the consequences of serious financial disjunctions such as the 1987 collapse in the world's stock markets as well as increasingly stringent capital adequacy

Swift and Reuter intend to stay in electronic risk management but will go their own ways. Swift will retain the rights to the Georisk name. It will announce at Sibos, its annual conference which opens tonight in Vienna, that it intends to develop a new range of global risk management products. It intends to go well beyond the limits of Georisk's existing product, Stream, and cover the entire spectrum of treasury instruments from foreign exchange and guarantees to term loans,

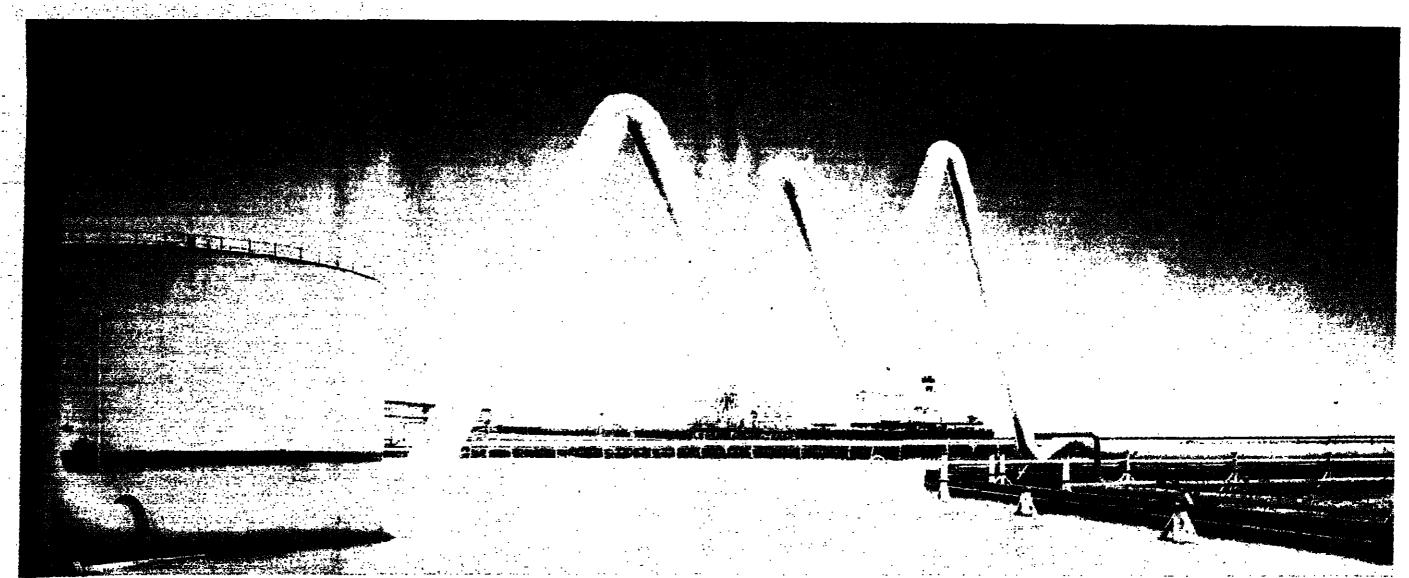
Reuters is expected to announce plans soon for a new global risk management ser-

The original Georisk product was based on a comparatively early I. P. Sharp design, the Global Limit Control System (GLCS) installed at Deutsche Bank, Credit Suisse, the Bank of Montreal and three others It proved too simple to meet the increasingly sophisticated needs of international treasurers, industry sources claim. The Bank of Montreal is now

using a global limits system

marketed by General Electric

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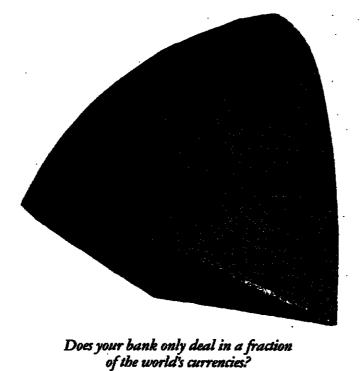
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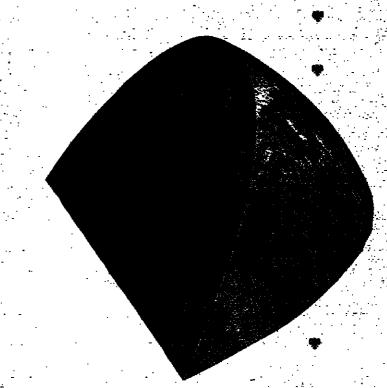
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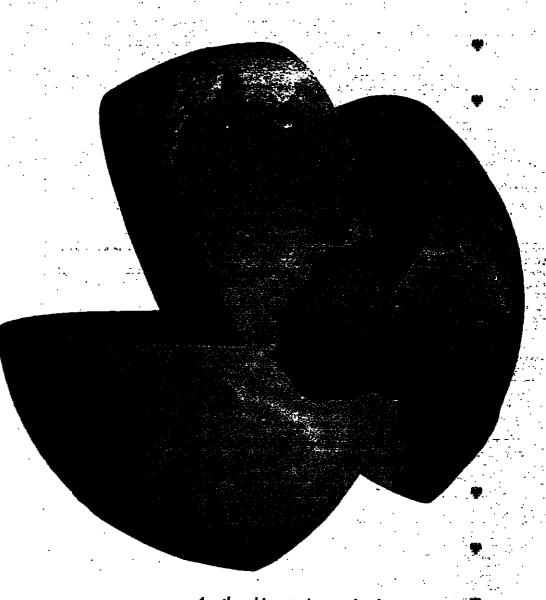
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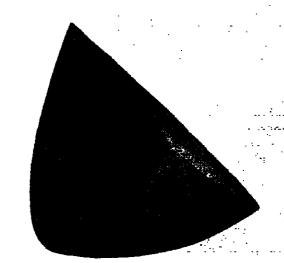




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LABOUR PARTY CONFERENCE IN BLACKPOOL

Kinnock keeps leadership with decisive 88.6% vote

RRITAIN'S opposition Labour Party confirmed Mr Nell Kin-nock as leader yesterday by a landslide vote. Last night, he described his "great victory" as a mandate from his party to win the next general election.

On the opening session of the party's conference in Hackpool, north-west England, Mr Kinnock won 88.6 per cent of the vote in an electoral col-lege comprised of trade unions, constituency parties and Members of Parliament, Mr Tony Benn, his hard-left challenger, captured only 11.4 per cent.

Mr Roy Hattersley, the deputy leader, also won re-election, taking 66.8 per cent of the vote. Mr John Prescott, the party's energy spokesman, won 23.7 per cent and Mr Bric Heffer, who ran for the deputy leadership alongside Mr Bean, captured only 9.5 per cent of

Their comfortable wins were widely expected and, although the reception was warm from

elected five years ago. The scale of the victories reflected not only the predicted support of most trade unions and of Labour MPs but also a high level of backing from constituency parties, particularly those which had held ballots of

their members. The result has isolated the party's hard-left and given an important boost to the leadership's attempt to update Labour policy and organisa-

Mr Kinneck said immediately after the results were announced that the size of the victories represented "a great honour, a great trust and a great duty too."

Mr Prescott said the party had spoken quite emphatically in wanting to keep the present leadership. He would not chal-lenge Mr Hattersley again in the current parliament.

Mr Kinnock's personal vic-tory will provide him with powerful ammunition throughout the week as the leadership most delegates, it was less attempts to win approval for enthusiastic than when the the first stage of two-year two men were originally review intended to prepared

Labour for the next general

There was early confusion and some embarrassment for the leadership when the national executive committee accepted for debate a resolu-tion which left-wingers claimed would, if passed by conference, end Labour's support for Nato and overturn its pledge to strengthen conventional forces in favour of nuclear weapons.

Both Mr Kinnock and Mr Hattersley supported a recom-mendation from party officials to have the resolution remitted so it could be injected with other proposals into the cur-

rent review of defence policy. Other members of the National Executive Committee (NEC) complained that, having been advised the resolution contained no change in party policy, there had been no adequate explanation as to why it should not go to conference. The NEC voted 13-12 accept it.

Mr Kinnock also received encouragement from a Sunday newspaper poll which showed Labour only five points behind

Mandate to modernise despite seeds of doubt

Michael Cassell on tasks facing the Labour leader as he defeats his internal critics and sets about broadening the party's appeal

r Neil Kinnock's pre-dictably overwhelm-ing victory against Mr Tony Benn for the Labour Party leadership will now leave him free to pursue the task of modernising his party's appeal. Though the outcome was

never in question, the contest underlined the electorate's impression of a divided party and managed to sow seeds of doubt among some of his parliamentary team about Mr Kin-nock's ability to deliver a

Labour government.
Having seen off his internal critics, he will return to Westminster, where his parliamen-tary performances in handling Mrs Thatcher will be expected

to prove equally skilful. Yesterday's result, whatever lies ahead for Mr Kinnock, has resoundingly confirmed the peripheral influence of Labour's extreme left, even though its adherents were already making it clear before the votes were amounced that they would not give up the fight. If Mr Kinnock fails now, he will not be able to blame

endorsed leader will this week push through party rule changes making it very much more difficult for the parliamentary party to mount a chal-lenge against him.

lenge against him.

Mr Kinnock is unlikely to be a generous victor, given his anger over the challenge and the left's capacity to inflict damage on the party's stand-ing. He will feel no need to react to their persistent criti-cisms over his leadership style and the direction he is taking the party.

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Mr Kinnock's most likely reaction will be to ignore the Tony Benn-Peter Heffer axis altogether, although his colleagues at Westminster are anxious to see how far he will be prepared to bury the hatchet with Mr John Prescott, following his respectable but ill-fated challenge to Mr Roy Hattersley, Labour deputy

Mr Prescott remains bitter at the way he was treated by the leadership in its attempts to prevent him from standing and he has proved there is a significant measure of support for

him in the country. He says he would not be surprised by an attempt to have him removed from the Shadow Cabinet in the forthcoming elections at Westminster. If he stays on board, Mr Kinnock's

choice of portfolio will be closely watched.

As for the party leader, Mr Kinnock's problems are by no means over, if the findings of the latest batch of opinion polls are to be believed.

According to a Gallup poll in four expects Labour to form a majority government within the next 10 years. Gallup says nearly half the electorate – incinding 29 per cent of Labour

voters - never again expect it to hold power on its own.

At the same time, 67 per cent of voters believe the party is poorly led, although 40 per cent backed the Kinnock-Hatterstein tights at the kinnock-Hatterstein tights at the kinnock-Hatterstein tights are the host lead. tersley ticket as the best leadership team. Among Labour voters the figure was 44 per cent, well shead of any other

Asked what Mr Kinnock should do if he cannot manage to boost the party's fortunes over the critical next 12 months, 23 per cent said he should stay on as leader, a figure rising to 33 per cent among

Labour supporters. Another 39 per cent say he should offer himself for re-election (40 per cent among Labour roters) and 30 per cent believe he should resign (20 per cent of Labour persuasion). A Harris poll for TV-am, the

morning television station, also underlined the electorate's perception of a party unlikely to win power. The poll showed the Conservatives, or Tories. on 48 per cent, still 12 per cent ahead of Labour and it sug-gests that 60 per cent of voters believe Labour cannot win the next election. Only 31 per cent believe it has a chance of beating the Tories.

There is some encourage ment, however, in an opinion poll conducted by Market & Opinion Research Interna-tional (Mori) for the Sunday Times newspaper, which sugyesterday's Sunday Telegraph gests the gap between the two newspaper, only one voter in main parties has narrowed

Last month, the Tories stood 14 per cent ahead of Labour but now the gap is down to 5 per cent, with the Tories on 44 per cent and Labour on 39 per

Mr Kinnock's job is to complete his policy review this time next year and to begin building up the party in prepa-ration for the next election. If the polls still fail to paint a brighter picture, then he could eventually face a more serious challenge to his position than the one he has just routed.

Unions call for end to annual election

By Charles Leadbeater in Biackpool

SENIOR trade union leaders yesterday signalled they want to end the annual election for the Labour Party leadership. While such a move would be

welcomed by Mr Neil Kinnock, and Mr Roy Hattersley, it seems likely they could this week face several clashes with the left-led Transport and General Workers' Union (TGGWU) over the development of the party's policy reviews.

Union leaders almost unanimously accused Mr Tony Benn and Mr Eric Heffer of diverting the party with their chal-lenge for the leadership. Mr Ron Todd, the TGWU's

general secretary, yesterday indicated he favoured a rule change which would require a contender to win the support of 20 per cent of the party's MPs before they could run. Mr Bill Jordan, the Amalgamated Engineering Union president, said he supported moves which would ensure

there could only be one leadership election in a Parliament. However, Mr John Edmonds, General Municipal and Boilerworkers' union general secre-tary, said the size of Mr Kin-nock's majority meant such constitutional changes would

be a diversion.

While the TGWU yesterday backed the Kinnock-Hattersley ticket, Mr Todd said there was disquiet over the policy reviews. The conference was the party's policy-making body and this week's decisions should set criteria which the policy reviews should meet in their final reports for next year's conference, he said.

IBA explores plan for independent national editor

THE INDEPENDENT Broadcasting Authority (IBA) is exploring a new form of regulating commercial televi-sion in the UK, including the creation of an independent national commissioning editor with an annual budget which could be as high as £500m a

The IBA is looking at the proposals in advance of planned government legislation which is expected to replace the Authority by a commercial television organisation to regulate cable and satellite, as well as conventional, television.

Sir Donald Maitland, deputy chairman of the IBA, said yesterday: "What we are talking about is putting a system in place which could be used by any successor authority, some-thing that could usefully antic-

inste the future." Sir Donald, a former UK permanent representative to both the United Nations and the European Community, has put forward the radical proposals but the Authority has accented they are worth exploring.

The new system, which could be implemented by 1990 for the last three years of the existing Independent Television (ITV) franchises, would

involve less detailed prior regulation by the IBA.

A new national commissioning editor and staff would have the power and the budget to commission the programmes needed for the ITV network from both the independent television companies and independent producers.

The new commissioning system would be independent from the IBA and might be organised under the aegis of the ITV Association, the trade body representing all the associated companies.

At the same time as creating a commissioning editor "to crack heads together" and end the perpetual squabbling between the 16 companies, more responsibility would be given to the FTV system. The IBA would continue to exercise its statutory responsi-

bility for what is shown.

What had been seen as the IBA's excessive interference in programme scheduling would end if the new proposals, which it is not thought would require legislation, are accepted.

"It's a mature system. The companies deserve to be given more responsibility and for the IBA to have more confidence

Health law to boost drug profits By Peter Marsh

SUPPLIERS of vaccines hope to gain a £5m-a-year boost from today due to new health reguations expected to encourage more parents to immunise their children against common and sometimes dangerous ill-

From today, mumps and rubella, or German measles.

become notifiable diseases - which should enable the Health Department to monitor more closely the numbers of individuals affected by the At the same time, the depart-

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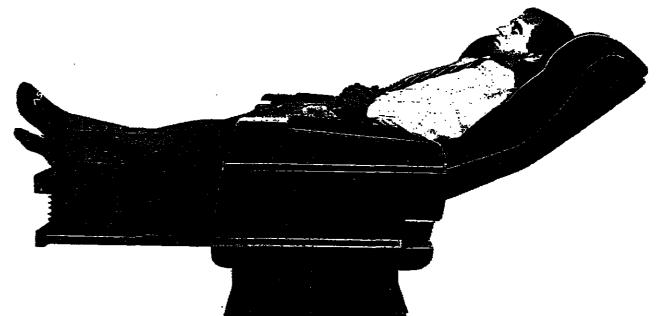
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UK NEWS

Mezzanine Capital Corporation Limited

Notice of Annual General Meeting

- OTICE IS REPRENY GIVEN to the holders of the BDPs that Manufacturers Hemover (Guernswy) Limited ("the Depositary") has received notice from the Company that are all General Meeting of the members of the Company will be held at Capital areas General Meeting of the members of the Company will be held at Capital areas (Capital State). The company will be held at Capital and Capital State (State) and Capital State (State). The company of the following metiens:

- the Directors to list their remuneration.

 As Special Business, to consider and if thought fit, place the following resolution which will be proposed as an ordinary resolutions:
 "That, for a period ending on the date of the next Annual General Meeting of the Company, the Company be and its hearby authorised to make equity or other lineatments; the Company be sent its hearby authorised to make equity or other investments in any company in which any of M. M. Helpern, J. L. Katz and A. Schecher hase invested by the said Directors in any one company does not exceed 5% of the appraight amount of the Company is measured in such company, and provided that such investment of the Company does not exceed \$10,000,000 and the said Directors shall not be obliged to account to the Company to agree to make any such investment during the eaid period notwithstanding that the investment liself shall not be made until after the explicy of the said period."

 To transact any other ordinary business which may properly be transacted at en Annual General Meeting.
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 and must be accompanied by the BDR in respect of the Sheres for which such inspections
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 held in a blocked account to its order until after Thursday, 27sh October, 1988. Voting
 instruction forms may be obtained from any Paying Agent.

 On deposit of a BDR with or to the order of a Paying Agent the holder thereof may
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 DDD interesting the state of the Agent and the paying Agent in the holder thereof when the paying Agent is a paying Agent in the holder thereof when the paying Agent in the holder thereof the paying Agent in the paying Agent in the holder thereof the paying Agent in the paying
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Sizewell inquiry was unfair, says report

By David Green

THE SIZEWELL B nuclear power station inquiry was unfair and failed to command public or political confidence, according to a report compiled with funds from the Economic and Social Research Council. The report, by three univer-sity academics, recommends that opposition groups at key inquiries should be publicly funded in future to make such hearings fairer and more effi-

The Government has so far

directed public corporations such as the Central Electricity Generating Board not to offer groups any direct financial

The Sizewell B inquiry lasted 27 months, heard evidence from more than 200 witnesses and cost an estimated

The academics, who conducted a four-year study including analysis of the inquiry proceedings, say the bearing was unfair because of

objecting groups, the complexity of the evidence and the length of the hearing which ruled out the maintenance of a credible opposition.

The report has been com-piled by Professor Tim O'Riordan and Dr Ray Kentp, of the University of East Anglia, Nor-wich, and Professor Michael Purdue, of the University of Newcastle upon Tyne.

They say public funds for voluntary groups participating in the Sizewell hearing could

have enabled them to commis-sion research which would have assisted the inspector, Sir Frank Layfield, QC.

The authors recommend that money be provided by the applicant in any major inquiry, and distributed by an indepen-dent panel. The money should go on research, not on legal

presentation.
Sizewell B was given the

go ahead by the Government after the inquiry. Sizewell B: An Anatomy of the Inquiry. Macmillan. 245.

Shift of ground in nuclear dispute

John Hunt on the inquiry into the Hinkley Point reactor plan

HEN A Magnox nuclear power sho nuclear power sta-tion was built at Hinkley Point, Somerset, in 1965 the public inquiry into the project lasted a mere two days and there was only a handful of objectors. This was followed by an advanced gas-cooled reactor which went ahead on the same site in 1976 without a

hearing.
Those halcyon days are in the past Tomorrow Mr Mich-ael Barnes, QC, opens a public inquiry into the Central Electricity Generating Board's pro-posal for a third generation of nuclear power on the site by adding a pressurised water reactor, to be known as Hink-

Nearly 13,000 people and organisations, local and nation-wide, have registered objections to the building of a third plant on the shores of Bridgwater Bay, across the water from

The vocal opposition group, Stop Hinkley Expansion, includes among its sponsors Mr Paddy Ashdown, leader of the Democrats and MP for Yeovil, Ms Dawn Primarolo, Labour MP for Bristol South Mr Dafydd Elis Thomas, Welsh Nationalist MP, Mr David Bellamy, TV personality and envi-ronmentalist, and Ms Julie

The protestors will tomorrow show their opinion of the scheme by parading an enormous effigy of a white elephant nicknamed Hinkley through the streets of the village of Cannington, where the inquiry will be held.

It will be the biggest inquiry into a new nuclear power stations since the 2½-year exami-nation, from 1983 to 1985, that led to the approval, amid great controversy, of the Sizewell B PWR in Suffolk. More significantly, it will be the first since the Chernobyl nuclear accident in the Soviet Union in 1986 - a d event that will cast a shadow over the proceedings and colour the views of the opponents.

Procedures have been streamlined since Sizewell and the present inquiry is not expected to run beyond a year. The CEGB says it is essential to have a family of four PWRs

MR ALEX HENNEY, an

independent economist whose

writings helped to prepare the

ground for the Government's radical proposals on electricity

privatisation, is to campaign

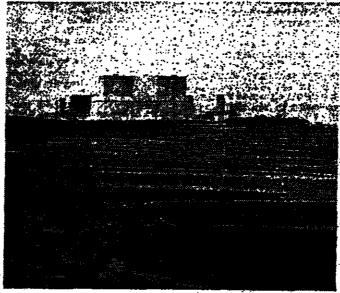
against its pro-nuclear policy, writes Maurice Samuelson.

He has been commissioned by the environmentalist group

Greenpeace to analyse the eco-

nomics of nuclear power sta-tions, which, under the privati-sation proposals, will be

subsidised against commercial



Hinkley: the CEGB wants a third-generation PWR

operational by the year 2000 in order to meet demand for elec-tricity. Sizewell B is under construction, Hinkley would be the second, and the board is expected to apply shortly for one at Wylfa, Anglesey, and will later apply for a fourth at a site not yet named. It estimates that Hinkley C

would provide an average of 10,000 jobs a year during its seven-year construction and would inject £300m into the Somerset economy. The board does not want to

be dragged into repeating the basic arguments on the safety of the PWR, which is now the most widely used nuclear power system in the world. It takes the view that those argu-ments were thoroughly aired during the Sizewell marathon and that its faith in the system was vindicated in the report of the inspector, Sir Ffank Lay-

However, the board will give evidence on safety details pertaining to Hinkley, such as emergency planning arrangements and the effect of discharges on the locality.

competition from coal and

other conventional power sta-

The result will be a 20,000-

word book: The Economics of Nuclear Power in Great Britain, to be published at the

end of next month. It will be

accompanied by a much longer

Mr Henney, an outspoken

former chairman of the London Electricity Consumers' Council, said at the weekend that he

aimed to influence the City of

work, for limited circulation.

The opponents find that attitude completely unsatisfactory and point out that Chernobyl makes a basic re-examination of the system all the more vinced by the protests of the CEGB and the Department of Energy that the Soviet plant was of a different type and that such an accident could not occur at Hinkley. They also bank back to the

accident at the American PWR on Three Mile Island, Pennsylvania, in 1979, and point outthat it is of the same basic design as today's PWRs. They claim that as a result of that incident no further PWRs have been commissioned in the United States. Not so, says the CEGB - in fact two American PWRs, at Wolf Creek and Callaway, have since been put

into operation and are working satisfactorily. Another important new fac-tor in the present inquiry is the imminent privatisation of the electricity industry, with the CEGB handing over to its successors in January 1990, fol-lawed by the flotation of the

The opponents of Hinkley C protest that the CEGB is in the anomalous position of proposing a a nuclear plant that it will not itself be running. This function is expected to be car-ried out by the the larger of the CEGB's two successor generating companies, known

industry in stages.

They also argue that poten-Electricity lobbyist attacks Tory pro-nuclear policy

London's attitude towards

nuclear power as it weighed up the prospects of investing in electricity. After his book

appeared, he hoped that there would be "no more debate."

He will also point to the

decline of nuclear power in the US when he gives evidence on behalf of Somerset County

Council at the public inquiry on the proposed Hinkley Point pressurised water reactor sta-

Mr Henney, a subscriber to

ensure continuity of high standards of management, safety and environmental protection.

power. The critics claim that the

The wide range of organisa-tions opposing Hinkley C include Friends of the Earth, Greenpeace, the Council for the Protection of Rural England and the Coalfields Communities Campaign.

consortium of 20 other loca authorities.

£500,000 for the cost of fighting the case, other countles in the consortium are each subscribing \$50,000 and district councils are giving at least \$10,000

tial investors will be deterred from putting large sums of money into a privatised generating industry burdened with an expensive and controversial nuclear power programme. According to the CEGB, such

fears are unfounded. It says the privatised structure will The economic arguments will be central to the case put forward by the "antis", who maintain that fossil fuels

would be cheaper than nuclear power. But the CEGB is determined not to be dragged into that controversy. It maintains that such comparisons are irrelevant to the inquiry, as the board has to operate within the Government's policy of diversification of power sources. It says that the valid comparison is between nuclear fuels and other non-fossil

sources such as wind and tide

The critics claim that the CEGB is trying to duck the economic argument and has hastily changed its ground since the Sizewell inquiry. It is no longer prepared to argue that nuclear power is the cheap option but bases its case on the need for a diversity of on the need for a diversity of fuel supplies.

In any event, this controver sial matter is certain to arise as the inspector has indicated that he is prepared to listen to arguments about it.

At this inquiry the CEGH will face much stiffer opposition from local authorities than it did at Sizewell. The Democrat-controlled Somerset County Council will be opposing the scheme at the head of a

Somerset is putting up

Society.

each. The eventual cost to the

Greenpeace, denies being an

overnight convert to environ-mentalism, a charge levelled at Mrs Margaret Thatcher, the

Prime Minister, after her

speech last week at the Royal

He made his mark in the electricity privatisation debate in a series of pamphlets, some of them published by the Centre for Policy Studies, the think tank established by Lord Lorent the former Concerns.

Joseph, the former Conserva-tive Cabinet Minister.

N.V. will be held at 6, John S. Gon N.V. will be held at 8, John 9. Gorstraweg Wittenstad, Curacac on October 25, 1869 at 10,00 a.m. The agends for the usesting and the Annual report 1967 are available for helders of Depository Receipts at the Office of Piersoh, Heldring & Pierson R.V., Herregeach, 244, 1976 88 Amsterdam, where vouchers for entry to the meeting may be obtained against delivery on or before Coubber 20, 1985 of Depository Receipts and proxies so well as the chain of the course of the country Receipts.

Rosehaugh role in Manchester dockland revival

By Ian Hamilton Fazey, Northern Correspondent

ROSEHAUGH is today be completed before Christmas revealed as the main property to enable work to begin early company behind the £350m Wharfside project, which will be centrepiece of the redevelopment of Trafford Park in Greater Manchester.

Trafford Park Development Corporation will today begin negotiations to finalise agree-ments. Rosehaugh has linked with Trafford Park Estates, the quoted company that created the park as Europe's first industrial estate at the turn of the century, to form a new company for the project, Rose-haugh Trafford.

Trafford Park Estates struggied for decades against the slow decline of the sprawling 2,700-acre industrial zone - in effect Manchester's docklands - until the Government named it as an urban development corporation two years ago, enabling public funding of

anti-dereliction measures. This has changed the climate of confidence: so much that there has been at least £170m of investment by the 640 companies in the park already.

The arrival of a substantial The arrival of a substantial,

nationally based property developer such as Rosehaugh — which has been particularly successful in the London Dock-lands — is expected to boost Agreements are expected to tres

next year.
The Wharfside project covers a 200-acre site, which is to be turned into a new water basin, with links between the Bridgewater and Manchester Ship It will be one of the largest urban regeneration projects outside London. A mixture of office, commercial, and industrial schemes is planned, together with water based lei-sure facilities, shops and pri-vate housing. About 6,000 new

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jobs are forecast.

Mr Peter Hadfield, chairman
of Trafford Park Development
Corporation, said yesterday: Wharfside is our flagship enterprise. It is the gateway to

Trafford Park." Mr David Evans, senior development executive of Rose-haugh, will move to Manchester to head the project jointly with Mr Jim Davis, develop-ment director of Trafford Park

Mr Evans said yesterday: "We have made a conscious decision to move to the regions. Trafford Park was clearly the area with the most potential. We believe it is about to re-emerge as one of Europe's most important industrial and commercial cen-

Poor suppliers may drive away Japanese

By Hugo Dixon

JAPANESE investment in the ter local suppliers are more UK is threatened by the short-age of good local suppliers of components, according to a study published today by the Policy Studies Institute, an independent research body.

In recent years, Britain has been one of the favourite loca-tions for Japanese companies wishing to establish manufacturing plants in Europe, because of encouragement by the Government and the English language. More Japa-nese investment in Europe is expected in the run-up to the establishment of a single Euro-

pean market in 1992. However, British companies have not been meeting the requirements of Japanese companies in this country, accordto the PSI report. Investment may now switch to

readily available. The report also predicts that

Japanese component suppliers will take advantage of these shortcomings and set up their own factories in Europe, dis-

placing domestic suppliers.

The report, which is based on case studies in Japan and the UK, pins the blame for Britain's failure on the short-term nature of the relationship between suppliers and manufacturers.

Japanese companies make exacting demands on their suppliers, but the relationship is a close and long-term one. Prod-ucts are often developed jointly and small suppliers are lent expensive equipment.

Manufacturers and Suppliers in Britain and Japan. PS Park Village East, London NW1 continental Europe, where bet-3SR, £9.95.

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Granada plans to promote NW

GRANADA, the television and leisure group, is to lead and largely fund a £500,000 drive to promote north-west England to investors and expanding com-panies in London, the south-east and abroad.

It has persuaded the Depart-

ment of Trade and Industry and six leading public-sector agencies in the region to support four one-day conferences in one of its television studios during the first week of November.

The conferences will be linked to an exhibition, televi-sion news reports and two programmes on Sunday, November 6, when the results of a survey by Manchester Business School on what southernbased companies think of the north will be broadcast.

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UK NEWS

Tourism-related investment rises to record £2bn

almost £2bn in the first half of this year - 61 per cent higher than in the previous six

The surge in tourism and lei- the ETB is for investment in sure investment was announced yesterday by the English Tourist Board, which six-monthly intervals.

chief executive, pointed out that much of the new invest-ment had been helped by the "pump-priming" of ETB devel-

wishing to invest in tourism. "Property developers, while

The ETB figures show that total investment in leisure projects totalled £1.98bn in the first half of this year, of which £248m related to projects completed and £1.74bn to projects make construction

under construction.

Among the big new leisure projects under way in the first

A new trend identified by

budget hotels which provide good quality accommodation-but no extra facilities such as

restaurants. The French group

Accor is investing £31.2m in

seven hotels under the brand

names Novotel and Ibis.
Other important hotel inves-

tors include Trusthouse Forte, with £50.2m being spent on 11 sites, and Queens Moat Houses

The ETB figures show that the geographical spread of lei-sure investment still favours London and the South-East,

although north-west England is also attracting significant

Quality International, a

leading worldwide hotel chain, has been forced to amend its planned hotel expansion in the

Quality had planned to open 25 budget hotels under the brand name McSleep over the

next three years at a cost of

However, following a suc-

However, following a successful challenge in the US courts last week by the McDonald's hamburger chain that the name infringed its own trademark, Quality has decided to call the new hotels Sleep Imminstead.

with £33.9m at four sites.

By Raymond Hughes, Law Courts Correspondent

eases in crown courts.

starting on a second centre in The growth in visitors to the UK has also led to 58 new

said, "to examine the range of

did not deal with specifics. However, the consensus among those attending the conference was that he was referring to the age-old dispute between barristers and solicitors about rights of

Although solicitors can appear as advocates in magistrates' courts and county courts, they have only limited rights in crown courts and none in the High Court.

Last July the Marre committee on the future of the legal profession recommended, by a majority, that solicitors should be given full rights of audience in crown courts. It was notable that the dis-

senters from that view were the barristers on the commit-

signalling an immediate intention further to whittle away the Bar's monopoly. Rather, it was thought, he

was that Lord Mackay was not

was suggesting to barristers that they should put their own house in order. However, it was felt that he would not have referred, even elliptically, to the issue if, like Lord Hailsham, his predecessor-but-one, he was happy with

None the less, not all those at the conference took the same pessimistic view.

One barrister muttered about "too much Kremlinology going on" about the Lord Chancellor's speech.

the existing situation.

Another said cheerfully: "If there were any coded messages they went right over my head."

accurisitions.

clerks.

would have time to do a proj-

Bar is 'losing out in competition to form links with US firms'

By Raymond Hughes

BARRISTERS were losing out to City solicitors in the development of professional practice with leading US law firms, the Bar Conference was told.

In a forthright exposure of what US lawyers perceive as barristers' weaknesses, Mr Andrew N. Vollmer, a Londonbased member of a Washington law firm, said solicitors had gained the upper hand.

One of the main obstacles, he said, was that barristers lacked expertise and experience in the areas of greatest importance to the US lawyers most active in Europe.

Those were: international finance – including international loans, securities offer-ings and Eurobonds - and international corporate transactions, such as mergers and

Mr Vollmer was also critical of what he described as barris-ters' "antiquated working hab-its," and had some harsh words to say about barristers'

They were, he said, "overly protective" of their barristers, whom they were reluctant to put through telephone calls; they were "notoriously unrelia-ble" about whether a barrister

"One US lawyer said to me that barristers could increase their use by US lawyers by sacking their clerks and employing competent secre-

"The commercial reality is that lawyers are professionals engaged in trade, and US lawyers tend to send business to

those who will reciprocate." However, Mr Vollmer acknowledged the Bar's strengths of expertise, experi-ence in litigation, and indepen-

Mr John Toulmin, QC, told the conference that barristers were not making full use of the expertise that would enable them to play a greater part on the international legal scene.

The European Community, the US and Canada, and international arbitration had been identified as areas where there appeared to be scope for the Bar to develop its practice. There was a feeling, Mr Toul-

min said, that there were many barristers in London and outside with the necessary expertise which was being wasted because no one knew about it. He also recommended becoming fluent in at least one other important language.

By David Churchill, Leisure Industries Correspondent INVESTMENT in English tre Parcs, a UK offshoot of a tourism and leisure develop Dutch company, in Sherwood ments reached a record of Forest has also led to work Thetford Forest in Suffolk.

The buoyant spending on leihotels under construction sure facilities this year fol- the highest level since the end lowed the record number of of the hotel development incenoverseas tourists who visited tive scheme in 1973.

Britain last year.

A new trend idea

monitors leisure investment at Mr John East, the ETB's

opment grants.

He said: "Our development funds have given the lead to companies and individuals

traditionally cautious, are beginning to recognise the importance of tourism and leisure in larger-scale mixed:

half of this year was the £240m Battersea theme park being developed by Mr John Broome, owner of the Alton Towers

The success of the first holiday camp development by Cen-

Barristers given hint over demarcation BARRISTERS have been given a clear hint by Lord Mackay, the Lord Chancellor, that they should think again about their

traditional opposition to solici-tors being allowed to conduct Opening the Bar's annual conference in London at the

weekend, Lord Mackay said that every profession was becoming acutely aware that its role in society could nowa-days only be justified by care-ful sitention, not to self-interest or group interest, but to the interests of the public as a whole. It was logical for the Bar, he

work currently its sole preserve to consider whether it is appropriate for a specialist pro-

The Lord Chancellor, whose



speech was later variously described as "Delphic" and containing "coded messages,"

Social compensation may replace disaster litigation

SOCIAL compensation schemes, rather than litigation, are emerging as the best way to deal with claims arising from disasters, it was suggested at the Bar confer-ence, writes Raymond Hughes. Mr Justice Beldam, a High Court judge and chairman of the Law Commission, said that the appeal of such a scheme was that "under its provisions, all who suffer are winners under a litigation-based scheme, winners take all."

In a paper for a session on

litigating disasters, he suggested that in an increasingly technological age in which safety factors were being revised it was inevitable that disasters giving rise to groups of claims would occur. The causes of discontent with the present system for dealing with such claims by litigation were inequality of result of equally deserving cases, inordinate delay, complexity and the high proportion of costs to benefit. Mr Justice Beldam said that

class actions had been put forward as at least a partial solu-tion to the matter of disaster litigation - although, he added, "the class action does not appear in the United States at least to have been the panacea that its protagonists here

seem to proclaim it."

It was claimed that concentration of resources, both judicial and of the parties, was more likely to be achieved by a class action, which would also of decisions, reduction of cost. and speed.
Against that was argued the difficulty of identifying the degree of community of interest and the subordination of some of an individual's interests to those of the class. He said that the slow but inexorable move from fault basis liability towards strict and absolute liability, and support for class actions, suggested that society was moving away from litigation towards the idea of a social

compensation scheme.

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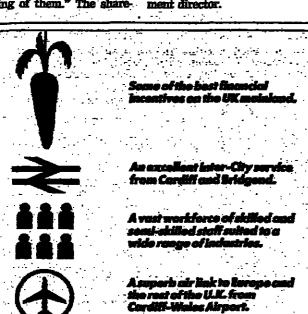
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Private bank pays first dividend By David Lascelles, Banking Editor ADAM & Co, the private Edinburgh-based bank founded

five years ago, is to pay its first dividend. The bank announced with its annual results that the dividend will equal 1.75 per cent of its £10m capital.

Mr James Laurenson, chief year before. Deposits increased executive, said: "This is from £42.2m to £64.6m. intended as an indication to our shareholders that we are Adam Lee as group developthinking of them." The share ment director.

holders include Selective Assets Trust, Drayton Consolidated Trust, Standard Life and the Kuwait Investment Office. The bank made an operating profit of £875,000 in the year to June 30, up from £473,000 the year before. Deposits increased from £42.2m to £64.6m.



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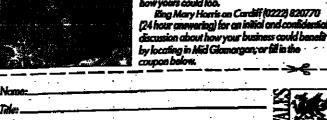


Over 100 industrial estates and

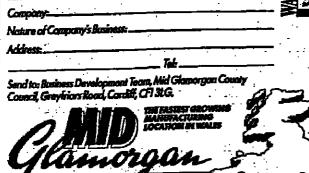
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c/o: DEP. GENERAL MANAGER OF DEVELOPMENT

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1. Detailed references of their general experience in the chemical industry in connection

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September, 1988

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Study of health service rejects radical change

THE CASE for root and branch change in the National Health Service is weak, according to an analysis of health care in Europe published by the Asso-ciation of the British Pharma-

centical Industry.
Although the latest data showed that, compared to other leading European Com-munity countries, Britain was a low spender on health in both the public and private sectors, recorded mortality and morbidity rates appeared to compare well with the rest.

Dr John Griffin, director of the association, argues in a preface to the report that, rather than radical reform, the challenge was to build on what was already a good, although not perfect, service.

The report, Agenda for Health, recognises the positive achievements of the NHS and the strength of repeated calls from the caring professions for more public spending on the health service to bring it closer to the levels of state spending in West Comments Expending in West Germany, France, italy and the Netherlands. However, it states: "The cen-

tral lesson from abroad is that in the 40 years since its estab-lishment, the NHS has proved unusually inexpensive, yet no less effective in maintaining the population's welfare than systems two or three times more costly in per capita cash

"If Britain does have a poor health record in areas like heart disease and cancer mor-

The money is raised by

allowing horse owners to graze their animals on fields around hospital buildings. It produces hospital bulldings. It produces about £1,200 a year for the Central Manchester District Health. Authority, which, while a drop in the hay bucket, is all part of

a programme to encourage

health service managers to

the National Association of

Health Authorities lists more than 800 money-raising activi-

health service. The Depart-

ment of Health wants \$20m

raised from income generation

schemes during 1968-89, and NAHA calculates that the tar-

Many health authorities — as the NAHA report shows — have well-established income

generation schemes, although they are frequently small-scale. Car parking charges, baby pho-tography and vending

machines are more familiar

The Government is now

examples than horse grazing.

encouraging authorities to take a more ambitious view of com-

mercial opportunities. Sir Roy

get will be met.

being undertaken in the

think more commercially.

A report published today

Hospital uses horse

IMPOSING CHARGES for horse grazing might appear an antiquated and desperate way of funding Britain's financially stretched health service, but it is happening in Manchester.

The Brown is rejected by

sense to raise cash

By Alan Pike, Social Affairs Correspondent

be a failure of the NHS but patterns of consumption and behaviour."

Mr David Taylor, the report's author, states that the Government's most likely policy in the immediate future will be to maintain public support for the NHS at the current level of 6 per cent of gross national

He says: "Further advances in care standards will to a sig-nificant degree depend on obtaining maximum value for money within the NHS, and increasing private and/or voluntary payments for health Against that background

the report supports the case for a lottery to help to fund the health service at the margins. However, the report also warns that the idea of a national lottery would be fought vigorously not only by those opposed in principle to gambling but by established vested interests like football

pools promoters. It predicts that after the Government's funding review, now in progress, more emphasis would be placed on forming clear contracts between NHS purchasers and suppliers in both the public and private

The British pharmaceutical industry will contribute an estimated £890m net to the bal-ance of trade in 1988 compared with 2834m last year.

Agenda for Health 1988.

ABPI, 12 Whitehall, Landon

ness value of hospital build-

ings, equipment and services.

The sheer volume of people who visit and attend hospitals represents a considerable captive market which is very streament of the considerable captive market which is very streament of the considerable and on the considerable captive the considerable and on the considerable captive the considerable captive cap

attractive to business and, on the other hand, hospitals pos-sess a wide variety of skills

and resources which local busi-

esses would welcome and be illing to pay for."

Sir Roy acknowledges that

some people question whether income generation is really the

role of the NHS. He says he

of any organisation, public or

private, to use its assets to the

best economic advantage, pro-vided this is consistent with its

main responsibilities to con-

sumers, the community and

of Health to advice health authorities on income genera-

Income Generation in the

NHS - Index of Schemes (2nd Ed). NAHA, Garth House, 47

ham B15 2RS. £15 (NAHA mem

Smoking ban on

BA's UK flights

BRITISH Airways is to ban smoking on flights within the UK from October 30.

The airline said a study

whether smokers or non-smok

ers, favoured a ban on short flights. None of its domestic

flights lasts more than an

BA said it had no plans to outlaw smoking on interna-tional flights but would con-

sider it if pressure from pes-sengers was strong enough.

The airline carries 5m people a year on its domestic flights

about a quarter of its total number of passengers.

trend in the airline industry

Air UK, Loganzir and Paramount Airways are no-smoking airlines while Guernsey Air lines has banned smoking on

BA's move follows a growing

showed that most pass

By Peter Marsh

Edgbaston Park Road, Birn

a small unit in the Departm

The Government has set up

believes it is the respon

UK NEWS

Integrating the attack on AIDS

David Fishlock on the linked approach to a pandemic

BRITAIN has mobilised a big national research effort over the past year to find vaccines and drugs to combat the AIDS pandemic.

Both the French — who first identified the AIDS virus — and the West Germans may follow the British approach of a coordinated research strategy, UK programme managers believe.

Dr Geoffrey Schild, the AIDS research programme director, says: "The French seem to like the way we have developed the coheave strategy of our pro-

gramme."
Leading British pharmaceutical companies, including Glazo and Wellcome, as well as new biotechnology research companies, have joined his pro-gramme, launched by the Gov-emment last year with £14.5m of earmarked money spread over three years

over three years. Eight collaborative research agreements covering intellec-tual property rights have been negotiated between companies and academic research teams. Nine more are being discussed. Companies are also provid-ing the novel biochemical sub-AIDS research. Under one con-tract, Wellcome and Oxford University have collaborated in an experiment launched aboard the Discovery space shuttle on Thursday to see whether crystals of a novel

protein can be made perfectly under gravity-free conditions. The Medical Research Council, which manages the AIDS research programme, is equip-ping three high-security laboratories near London for joint use with industry in evaluating new treatments for the highly infectious disease.

AIDS research managers say

they have been greatly heari-ened by the response of both the medical research community and industry to Britain's first directed programme of nedical research.

Britain has used the research directorate approach in other fields, notably in its

Alvey programme of research in information technology. About 350 scientists are eing funded under the AIDS programme, at a total cost of about \$5m this year and \$7m next year. The programme has expanded from about 20 pro-jects when it was first organspecifically for AIDS research, the programme is being financed from the MRC budget and also by the Department of Health and the Office for Overseas Development. It includes research in Africa, where the pandemic is believed to have begun and to be spreading most randily. most rapidly.

Dr Schild says UK scientists have responded encouragingly to the high priority being given to evaluating their proposals for research, thus allowing the programme to be built up rapidly. He forecasts that it will be spending about £14m a year by 1990 and £16m a year by 1992.

A request for further Gov-ernment funds, amounting to

Scientists have responded encouragingly to the high priority being given to evaluating their proposals for research

ised in the summer of 1987, to about 70 today. It spans national laboratories, universi-ties, and charity and industry

It has also earmarked funds for about 20 training awards for post-doctoral specialists in for post-documa special virology and immunelogy, where shortages are expected as the AIDS programme contimpes to expand.

In addition to funds that the

about 59m a year over three years from 1990, has been sub-

Industrial collaboration is a critically important part of the programme, involving research contracts placed with industry, and bilateral agreements between firms and academic teams, as well as collabora-tions involving the Medical Research Council itself.

Dr Schild cites Celltech, the

research company, which has a contract to make large amounts of a novel protein called gp 130 by cell culture for the AIDS researchers.

FINANCIAL TIMES MONDAY OCTOBER 3 1988

the AIDS researchers.

Directed research is new to medical science in Britain, says Dr Dai Rees, MRC chief executive. It was adopted for AIDS because programme managers knew the cause and could plan a strategy to try to combat it, even though the problem is "complex and provides quite a challenge to the MRC," Dr Rees says.

He believes the past year's

He believes the past year's experience suggests progress can be accelerated by directed research. "It's worked and works well," he says.

The primary goal is to explain the molecular biology of the AIDS virus, which has not proved amenable to the classical methods of developing vaccines, previously used successfully for diseases such as polio, diphtheria and smallpox.

Overseeing the programme

is an MEC committee under the chairmanship of Lord Jelli-coe and including Sir Donald Acheson, the Government's chief medical officer. The programme is managed

through a steering committee chaired by Dr Schild, a senior MRC executive. It has two broad objectives: to discover anti-viral drugs for treating AIDS, and to develop vaccines that protect against the infec-

The MRC is claiming joint rights to royalties from research funded by its AIDS directorate and proposes to take the lead in negotiations for commercial exploitation.

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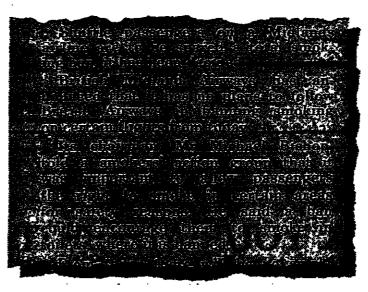
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LEGAL COLUMN

Conferences contrast on agenda and pleasure

is upon us again. The Bar held its meeting in the Royal Courts of Justice and the Temple in London at the weekend; the Law Society gathers in Cardiff later this month.

The timing of the two events - the barristers confining their deliberations to the last two days of the summer vaca-tion, the solicitors taking off two to three working days during the Michaelmas term - is doubtless more to do with professional commitments than

professional commitment.
It is interesting that the programmes for the two conferences contain virtually no overlap - almost the only common feature being an address by Lord Mackay, the

Lord Chancellor.
The Bar, which attracted its largest attendance (more than 400 barristers and judges), crammed 10 workshops into two days. The best subscribed was that on litigating disasters, perhaps not surprisingly in view of the amount of work that has come the way of lawyers following such tragedies as the Opren case and the Piper Alpha and King's Cross disasters.

At this workshop Mr Justice Reldam, chairman of the Law Commission, suggested that the tide of opinion was moving away from litigation towards some kind of social compensation scheme as being the best way of dealing with claims

resulting from disasters. workshops were devoted to such topics as medical negligence and no-fault compensation; criminal justice, which included a contribution by Mr Nicholas Purnell QC on technology in the courtroom, provocatively sub-titled "Aladdin's Cave or Roskill's Revenge?;" intellectual prop-erty; planning and judicial

More orientated towards barristers' domestic preoccupa-tions were sessions on fiscal traps for the Bar, and the development of international practice for the Bar.

for want of a better word, be described as junketing at the Bar conference: one buffet lunch (with wine), one hunch and a conference dinner. As for coffee and tea breaks, they ranged from five to 20 minutes here they were included in the programme at all. The Cardiff conference, by

comparison, will be an excur-sion into hedonism. The programme begins with the eve of conference reception and dance and ends, apart from a Sunday morning service arranged by Lawyers Christian Fellowship, with a civic reception and con-

rence dinner. Other items on the social programme include luncheons and cocktail parties, a concert by the Treorchy Male Voice Choir and visits to a mining museum, St Fagan's Welsh

and the Cardiff Arms Park -not forgetting the golf competi-

To be fair to the Law Society, much of the social programme, parts of which run in parallel with the busin sions, is devised to divert husing their solicitor spouses.

To be even fairer, important and topical matters will be on the agenda at Cardiff. This year the scope of conference

larger firms, although both large and small firms were

events when entertaining.

Larger firms were more

likely to use specialist print and design companies than smaller firms.

Day one is, broadly speaking

to be Cleveland day, with speeches by Lord Justice Butler-Sloss, who chaired the Cleveland child abuse inquiry,

Day two will be Recruitment Day, with the morning devoted to consideration of the short-age of qualified solicitors and the afternoon to a novel feature, a careers and recruitment fair sponsored jointly by the Cardin Law School – the UK's

lively.

Missing from this year's agenda is any mention of mulhardly surprising, perhaps, given the way the once inflammatory subject sputtered like 4 damp squib in Visuna.

compared with previous years, when there have been consid-

erably more alternative workshops - an indication, per-haps, of the profession's current leading preoccupa-

and Mr Tony Newton, the Minister of State at the Health Department, and a linked workshop on child care. There will also be a session on the 1986 Financial Services Act. "Investment business - how to survive and enhance your

largest — and the Law Society.
Day three will be Legal Aid Day times will be legal and Day with a programme entitled "Legal aid: a service in crisis," which has been heavily promoted by the distribution of some 20,000 leaflets and is likely to be well attended and

FINANCIAL TIMES

Law Society's **Admission List**

From Monday 10 October. the Financial Times will include, bi-monthly, the Law Society's Admission Lists in the Monday Legal Pages.

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FINANCIAL TIMES

Solicitors 'use more marketing services'

By David Churchill

THE AGE of solicitors hiding their light under a bushel has long gone, according to a survey that suggests legal firms are increasingly using public relations and other marketing service companies.

In spite of this trend, the study, published by RSA Cli-

ent Relations, a market research consultancy, suggests that solicitors are rather sceptical of specialist communica-tions consultancies and prefer to disseminate their information to target groups through in-house personnel.

The survey says: "A number of observations were made during interviews to the effect sional needs of lawyers and one firm gave the opinion that its public relations consultants did not spend enough time cultivating clients."

Not surprisingly, the 86 firms of solicitors in the study tended not to employ specialist consultants. Only 17 per cent of the surveyed firms did so. However, smaller firms with no more than 30 partners were more willing to use consul-tants. A quarter of the smaller firms used external PR companies, compared with only a tenth of larger firms.

Even with the relaxation of restrictions on advertising by solicitors, most firms saw it only as a way of reaching new recruits. The survey suggests that the legal profession "seems to prefer the tradi-tional methods of client contact to advertise their ser-

for firms with 30 partners or more was £100,000, with smaller firms spending an average of 255,000. However, solicitors were far

Public relations consultancies can take heart from the report's finding that eight out of every 10 firms of solicitors surveyed said they would make more use of PR services more willing to undertake below-the-line (marketing jar-gon for non-advertising promotions) activity, such as cor-porate hospitality. The survey found that three-quarters of the solicitors carried out client entertaining in some form. Surprisingly, smaller firms were more likely to invite cli-ents to sporting events than

during the next three years.
However, support for advertising services was more mixed, with approximately half saying they would advertise more and the other half services they would entitle the services of saying they would continue at the present level.

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FISONS

City of London offices

TRY CONSTRUCTION has been awarded an £11m contract by Wace Group for the con-struction of a mixed office and industrial development in Shepherdess Walk just on the northern edge of the City of

The work involves the con-struction of two buildings; a seven-storey office block and a part office and part industrial building across the road. The two will be joined by an arched walkway.

Both will be reinforced concrete structures with brickclad-ding and some curtain walling. The office building includes air conditioning, suspended ceilings and raised floors and there will be car parking in the

The industrial/office section which is also seven storeys high and air conditioned will be in heavier reinforced concrete construction. The block has been designed to accommodate computers and high technology print platemaking machinery. Try will complete the project by the end of next

McAlpine awarded £6.5m contract

SIR ROBERT MCALPINE & SONS has been awarded a £6.5m contract by MEPC for the construction of phase III of its Abbey Gardens project in

Reading. On a 2,750 sq metre site adjacent to phases I and II and fronting onto Kings Road, the four-storey office block with ement car parking will be of reinforced concrete frame construction. The project is scheduled for completion in December 1989.

CONSTRUCTION CONTRACTS

£15m office management project

LAWRENCE PROJECT MANAGEMENT has been awarded two management contracts with a total value of £20.4m. On behalf of British Airways, Walter Lawrence will carry out a £15m management contract for offices and associated infrastructure at Bealine House. West End Road, South Ruislip,

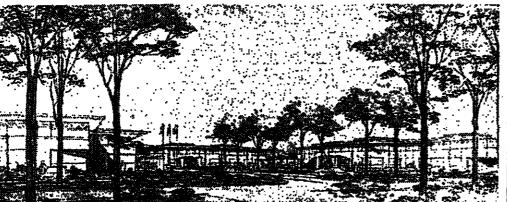
Designed by Aukett Associ-

ates, the low-rise offices will consist of 150,000 sg ft in four blocks, which will be linked at first floor level by enclosed walkways and corridors.

The scheme will have brick facing panels with horizontal and vertical bands of blue colour, together with aluminium silcon glazed windows and door units. The contract will be completed in February 1990. In Croydon, Walter Lawr-

an 11-storey building in the Knollys House complex, Addis-combe Road, Croydon, Surrey on behalf of IBM(UK).

The £5.4m project will include the installation of a building management system, together with the refurbish-ment of the lifts, ceilings, lighting and floor covering, as well as the installation of a parti-tioning system.



A perspective view of a new offices scheme at Bealine House, South Ruislip, Middlesex

£19m orders for Dew Group

DEW GROUP, the civil and contracting arm of the Allied Partnership Group , has won contracts worth £19m. The building division has booked £12m worth of contracts ranging from a workshop block for Her Majesty's Prison Services at Highpoint (£2.7m), a factory at Southall for Metal Box (£1.95m), a storage warehouse at Middleton for British Vinegar (£1.12m), a department workshop for Epping Forest District Council (£1.78m), an industrial distribution building at Swanley, Kent for Amec

Properties (£1.4m), a coater

building at Sittingbourne for Bowater UK Paper Co £1.06m), road transport workshop at Oldham for Royal Mail Letters (£303,000), and a warehouse at Boddingtons Breweries, Strangeways (£620,000).

The civil engineering division has won over £3m of orders for a number of projects including site works at the St. Lukes Hospital, Bradford, road works and infrastructure at Flixborough Industrial Estate for the Borough of Glanford, and a further contract on the Salford Quays site for the City of Salford where they have

been working since its inception.

The landscape division has also been successful in winning a number of orders for various clients such as C.E.G.B. at Sizewell 'B' Power Station (£435,000), and Drax Power Station(£174,000), Halton Borough Council (£382,000), and riverside walkway for alford City Council (2564,000).

The sheet piling division has also had an influx of orders, the major one being for the cofferdam to the Canary Wharf Tower, London for Ellis Don - Sir Robert

Export terminal on Indian coast

LAND ENGINEERING, a member of the Costain Group, through its Indian joint venture company Land & Marine Engineering (India), has received a £15m order from the Oil & Natural Gas Commission for a turnkey design and construct contract covering installation of an export terminal on the west

MARINE coast of India at Hazira.

The project includes a detailed survey, design and procurement through to instal-lation and commissioning of an offshore tanker terminal to export a liquid fuel bi-product from the natural gas processing plant at Hazira.

Construction work will involve the laying and burial of a 24 Km long, 24 in diameter pipeline from the plant, which includes 7 km of landline, a 1 km crossing of the River Tapi and a 16 km crossing of tidal flats out to deep water in the Mindola estuary where a 50,000 dwt Calm buoy will be positioned for the tanker terminal.

DIARY DATES

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bury Group 2.8p
WEDNESOAY OCTOBER 5
COMPANY MEETINGS
chron House, Howard Hotel, Temple
W.G., 12.00

BOARD MEETING Herris S.
Black Arrow Gn.
Bullers U.Sp.
CCF Group 1.4p.
Cable & Wireless
Carclo E Guidehouse Herding Group Louis Howard-Spint Condrant Group Sound Diffusion
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DIVIDENO AND INTEREST P
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Alises Hume Intl. 1p
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CAP Group 1.4p
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THURSDAY OCTOBER 6
COMPANY MEETINGSSinclair Goldsmith, Howard Hotel, Tample
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STC 3p
Seers, Roebuck & Co. 80cts.
Shelf Trans. & Trading Co.
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Bampton Property Group 74, % Uses. Lr. \$1/
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92 4.5pc.
Davies & Mescalie 0.8773p
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Heath (Samuel) & Sone 4.3p
Hey & Croft Group 1.5p
Johnson Group Cleaners 3.2p
Kusia Lumper Kapong Berhad MS0.05
Lloids Berit 6.3p
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Oo. 101/4 Pt. 5.25p
Mid Wynd Inter Inv. Tat. 1.5p
Mosaic Inve. 2p

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FRIDAY OCTOBER 7
COMPANY MEETINGSSocietys Street, Lianell, South Water,
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Readers are recommended to seek appropriate professional advice before entering into commitments.

Trade Fairs and Exhibitions: UK

Alexandra Palace, London October 24-28 British Footwear Fair (01-739 2071) (until October 4) Olympia October 7-9

National Franchise Exhibition Kensington Exhibition Cen-October 7-10 British Designer Show (01-385

October 10-16 International Motorcycle Show (01-385 1200) **Earls Court**

International Chemical Industries - CHEMFAIR (01-686 4545)

Current October 22-30
International Flower Trades British International Motor Exhibition - IFTEX (01-486 Show (01-235 7000) NEC, Birmingham International Business Show (01-868 4499) Earls Court

October 25-28

Building Exhibition - BUILD-ING (01-486 1951) October 25-27 Fluid Handling Exhibition (01-680 7525) Wembley Conference Centre

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October 27-30 Home and Leisure Exhibition Winter Gardens, Blackpool October 28-29 Cash & Carry Fashion Fair (01-727 1929) Kensington Town Hall

Overseas Exhibitions

October 5-8 International Furniture, Furnishings & Household Equip-ment Exhibition - MODERN HOME (01-236 2399) Hong Kong

October 5-10 Book Fair (01-734 0543) Frankfurt

October 10-13 **Gulf Information Technology** Exhibition (01-930 3881)

October 11-14 Computer Show (0869 244738)

October 13-16 International Fish Farming Techniques, Equipment and Products - ACQUACOLTURA

October 20-31 International Trade Fair SIN-TRA (01-834 5082) October 26-28

Riectronics International Show-INTRON (Dublin 900600) October 27-30

Money Hong Kong Exhibition (0206 45121) Hong Kong

Business and management conferences October 3

ties in China: who will benefit in the 1990s? (01-379 7400) Centre Point London WC1 Institute of Administrative Management: Evaluating

offices for the 1990s (0689 73333) The Brewery, London EC1 October 11 Confederation of British Industry/The Royal Institute of

International Affairs: The external implications of the ingle European market (01-930 Centre Point, London WC1 October 13-14

International Herald Tribune Oil Daily: The search for stability (01-242 1242) Hotel Intercontinental, Lon-

October 17 City Research Associates: The changing shape of the financial services market - successful survival beyond 1990 (01-833

Caledonian Hotel, Edinburgh

October 17-18 International Business Comretail banking (01-236 4080) Inn on the Park, London W1 October 20-21 Financial Times Conferences: Electronic financial services (01-925 2323) Hotel Inter-Continental,

October 20-21 Arthur Andersen & Co/Venture **Economics: Corporate Ventur**ing (01-836 1200) Sonesta Hotel, Amsterdam

October 24 The Economist: 1992 The new Europe - Getting to grips with the competition (01-839 7400) Park Lane Hotel, London W1

October 25 Leatherhead Food RA: Innovation in the food and drink industries (0372 376761)

Regents Park, Loudon October 25-26 International Business Communications: Managing LDC debt (01-236 4080) London Press Centre, EC4 October 31- November 1

Financial Times Conferences: Professional personal computers in the 1990's (01-925 2323) Hotel Inter-Continental. munications: Technology for

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there have been no changes to the details published

FINANCIAL TIMES CONFERENCES ELECTRONIC FINANCIAL SERVICES IN THE 99s London, 20 & 21 October 1988

This sixth event will look at the way both traditional and new financial service providers are using new technology to extend retail financial services. Contributors will include Mr Gene Lockhart, Mr Jacques De Keyser, Mr Sinbad Coleridge, Mr Michael Tuke, Mr Giovanni Franzi and Mr Peter Duerden.

PROFESSIONAL PERSONAL COMPUTERS IN THE London, 31 October & 1 November 1988

This Financial Times conference brings together in London representatives from key companies in the professional personal computer industry at a time when significant issues chiefly connected with industry standards are being debated and resolved in ways which will affect the future shape of the industry. Speakers will include Mr David McAughtry, Mr Jim D'Arezzo, Mr Alain Blancquart, Mr Roberto Schisano, Mr Gordon Campbell and Mr Raymond Noorda.

THE WORLD OUTLOOK FOR MOBILE COMMUNICATIONS London, 7 & 8 November 1988

Mr Rick Paggeot, Mr Kouhei Nishino, Dr Stephan Pascall and Mr Gerry Whent will be among the speakers discussing the growth of mobile cellular communications in Europe, the US and Japan.

WORLD ELECTRICITY London, 14 & 15 November 1988

Last Autumn the Financial Times, with the assistance of Power in Europe, held a World Electricity conference in London. This was strongly supported. A further conference on this subject is to be arranged this Autumn and another distinguished platform of speakers has been assembled. The topics chosen for discussion include the European electricity market, British privatisation, regulation, developments in Japan, Soviet electricity strategy, the US scene, Third World developments, the future as seen by the big builders of power stations and the outlook for coal, gas and nuclear in the generation of electricity in the 1990s.

The speakers include Mrs Helga Steeg, International Energy Agency; Lord Marshall of Goring, CEGB; Dr I C Bupp, Cambridge Energy Research Associates; Mr Victor Giliusky, Former US Nuclear Regulatory Commission; M. Rémy Carle, Eléctricité de France; Mr David Penn, Wisconsin Public Power, Mr Donald Miller, SSEB; Mr Takuo Yamauchi, Chubu Electric Power Company; Dr Dieter Helm, London Business School and Dr Felix Bruppacher, Elektrizitäts-Gesellschaft Laufenburg AG. Privatisation of the British electricity industry will be Privatisation of the British electricity industry will be discussed by the Financial Secretary to the Treasury. The Rt Hon Norman Lamont, MP.

All enquiries should be addressed to: The Financial Times Conference Organisation, 2nd Floor, 126 Jermyn Street, London SW1Y 4UJ.
Tel: 01-925 2323 (24-hour answering service)
Telex: 27347 FT CONF G Fax: 01-925 2125

CONTRACTS & TENDERS



The Hong Kong Government invites interested patties to submit proposals for the construction of a cable network and the provision of a cable TV broadcasting service in Hong Kong. Interested parties have until 28 February 1989 to submit their proposals. Parties whose proposals are accepted by the Hong Kong Government will be invited to apply formally to the Government for 15 year licences to build and operate the network and broadcasting service.

Interested parties seeking further details may obtain a comprehensive information kit containing background information on Hong Kong and a guidance note for proposals from the following offices:

Secretary for Administrative Services and Information, Government Secretariat, Lower Albert Road, Hong Kong. Fax: (852) 5-8452129 Teles: 72669 HAB HX

Hong Kong Government Office, 6 Grafton Street, London W1X 3LB, England. British Embassy, Hong Kong Government Office, Avenue Louise 228, 1050 Brussels, Belgium.

Copies are also available at the Hong Kong Economic and Trade Offices in Geneva, Washington, New York, San Francisco and Tokyo.

The information kits are priced at HK\$160 (in Hong Kong) or US\$25 (overseas) inclusive of delivery. Cheques/Bank Drafts should be made payable to "Hong Kong".

HONG KONG GOVERNMENT

Kleinwort Benson

Kleinwort Benson Limited announces that with effect from 1st October 1988, the mortgage base rate will be 12.95% per annum and the personal loan base rate will be 11.95% per annum.

Notice to holders of EUROPEAN RIVESTMENT BAICK Halles Lira 130 Sillion Floating Rate Notes Day 1996

Coupon nº 2 due from September 30, 1988 to March 31, 1989 will be payable from March 31, 1989 at the rate of 11,875%

lts. 300.174.- per kt. 5 000.000.-Nominal kt. 3.001.740 - per kt 50.000.000,-Nomi-nal Sanco di Napoli Internazional C.A. Listembourg Reference Agest Bank

RENTALS

KENWOODS RENTAL

QUALITY FURNISHED FLATS AND HOUSES Short and Long Lets 23 Spring St., London W2 1JA Tel: 01-402 2271 Telex: 25271 Fax: (01) 262 3750

CARADIAN PACIFIC LIMITES (Incorporated in Canada)

ST. LAWRENCE & CITAWA
RAR.WAY COMPANY.
Copies of the Balance Sheet of the
above company as it December 31
1967 are available and may be
obtained from this office during sommal
business Rours.
D. R. KEAST
Deputy Secretary

THE PARK LANE ANTIQUE FAIR Park Lane Hotel, Piccadily, W1. 400 8321, 5-10 Octo-ber.

CLUBS

Eve outilized the others because of a policy on fair play and value for money. Supportion 10-130 am. Disco and top municipals. plamorous hostuseus, exciting floo 189, Regent St., 171, 01-734 0567.

PERSONAL

de l'Ovest. CONSULTANCY SERVICES - READVERTISEMENT -

WARDAIADRAO - Bounke, Cate d'Ivaire

WARDA/ADRAO invite inquiries for prequalification from professional consulting firms or consortia with a background and expertise in agricultural research centre planning and design, together with all related disciplines, for the design of a new rice research centre and headquarters facility at Bouake, Cote d'Ivoire,

(Approximately 10,000 square metres gross area in phases) Each firm or member of a consortium should submit the following

The nature of the firm:- type and number of technical and support staff
including qualifications, experience of staff intended for the project, tocation
of offices, contact address and phone/telex number, date of establishment of

Previous experience with this type of project and of work in West Africa.

information about other projects relevant to the capabilities of the firm including projects carried out during the last five years. The services required are architectural, structural, civil, mechanical, electrical and environmental services engineering, quantity surveying (landscape design expensive would be an advantage).

Firms offering services should attach a statement agreeing to abide by the decision of the awarding committee and, if prequalified, their intention to subunit a bona fide tender for the services, (Expected at the end of January

Submissions should be received by WARDA/ADRAO on or before November 76s, 1988 in a sealed envelope marked "Proqualification for consultancy services" and addressed to: The Development Office, WARDA/ADRAO, Kennedy HQ, Bounke 01 B.P. 2551, Bounke 01 - Cote d'Ivoire. Teles: 69 138 ADRAO CI

COMPANY NOTICES

The KTZ Corporation PLC NOTICE To holders of Warrants to Bearer

SEBY GIVEN THAT en of 4 28p per Share will be ecomber 1988 in respect HOTICE IS HEREBY GIVEN THAT a dividend of 1.75p per Share will be policion the 3rd Linkway 1988 in respect of the half-

ember 1988 of any of the shows offices, fitry be deposited on or efter Manday (An er 1988, Coupons presented for payment in the United Kingdommust be left FAFE CL (AN

These companies broke with tradition by asking us to manage their projects.

Normally, they would have looked for a traditional contract.

If they'd been fettered to the past.

But they knew that today's complex buildings have made traditional contracts obsolete.

So they naturally didn't want one.

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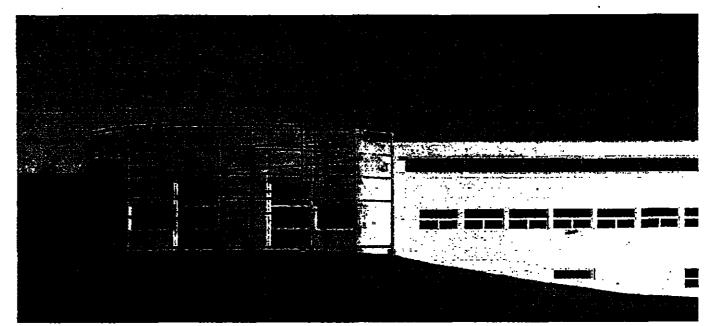
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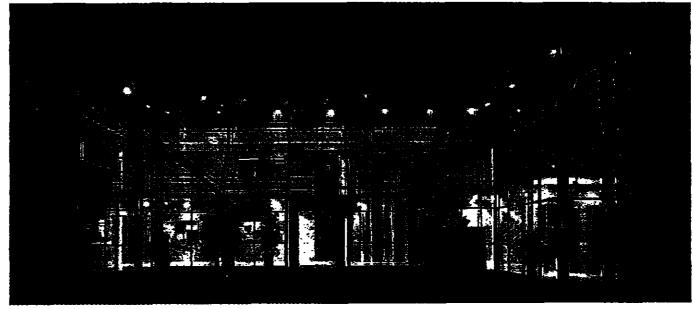
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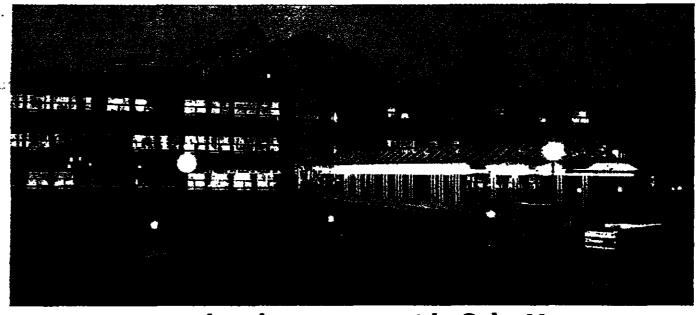
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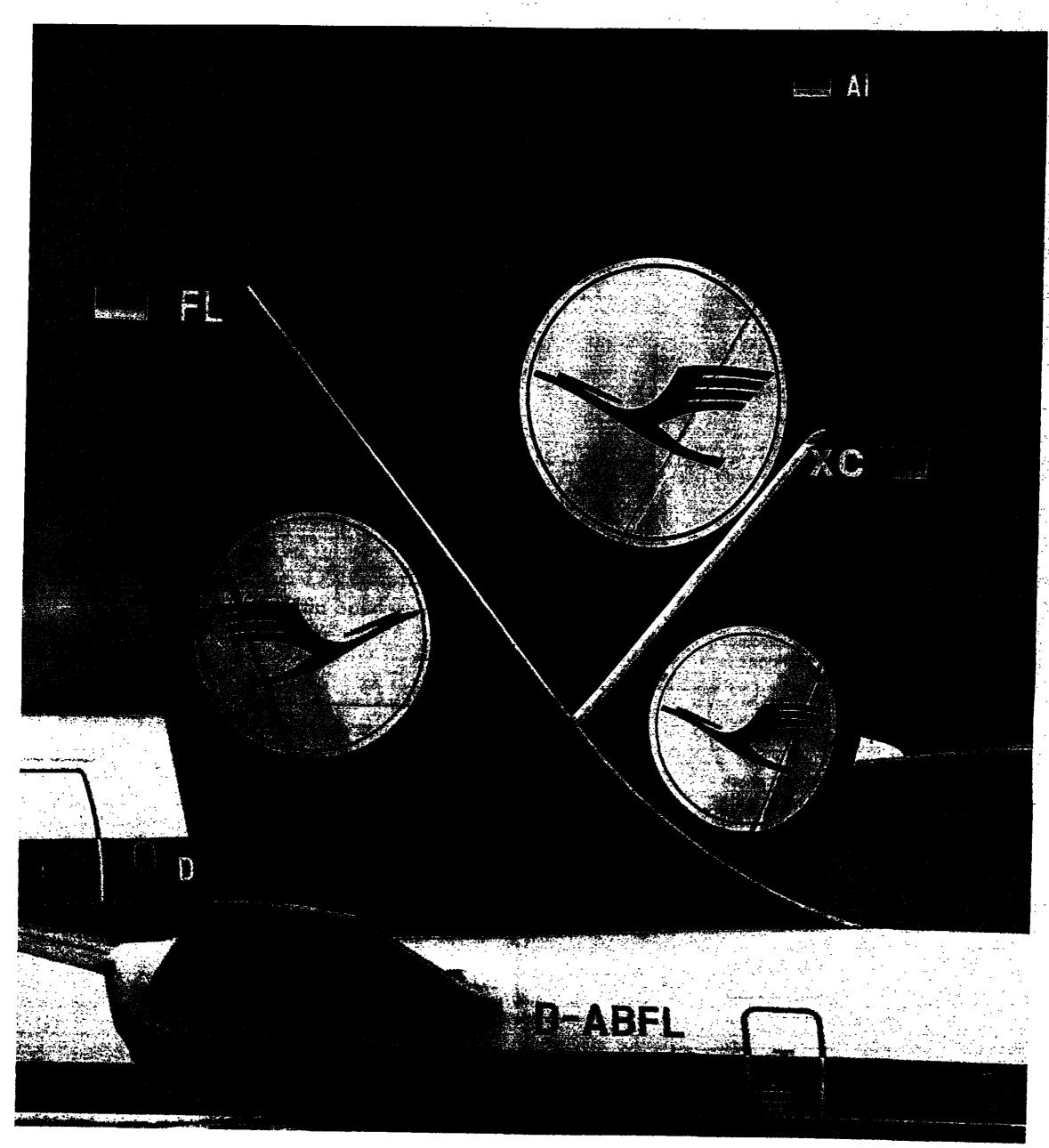
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MANAGEMENT

Power in the boardroom

Lord of all he surveys?

The Beecham pharmaceuticals group split the roles of chairman and chief executive in 1986. Michael Skapinker asks Robert Bauman why he has combined them again

tleacre, then temporary chairman of the Beecham Group, announced a series of changes in the structure of the company's board, with the aim of ensuring that "no chairman should ever again be lord of all he sur-

Nine months previously, Lord Keith had led a board-room coup at the UK-based pharmaceuticals and consumer products group, resulting in the departure of the theu chair-man Sir Ronald Halstead

Along with the changes in board structure, Lord Keith amounced that an American manager, Robert Bauman, would be taking over as executive chairman. John Robb, who had been appointed chief exec-utive when Halstead left, would stay on as group manag-ing director. Lord Keith described Robb as "a very tough executive."

Tough he may have been, but last month Robb resigned. He said his influence had been eroded since Bauman's arrival and that he did not want to "draw a hig salary for doing nothing." So is Bauman, a former aerospace executive and author of a gardening book called Plants as Pets, now lord

of all he surveys?
"I don't think I am," he says from his office at Beecham's headquarters on the western edge of London. He thoes, it is true, "think that strong leader-ship is important. I'm not aware of organisations that are run well by committee."

But, he says, the other changes announced by Lord Keith in 1986 are still in place and help to provide an effective check on an executive

These included an increase in the number of non-executive directors from three to six. Following the retirement from the Beecham board of Lord Keith and Denis Allport, former chairman of Metal Box, this has now fallen back to four, but Bauman says the group intends to appoint two replacements. Following Robb's departure, there are eight executive

In addition, the three board committees set up at the time of his appointment are still in



Robert Bauman: advocate of non-executive directors

me. I have the non-executives

a chief executive or managing director who's very strong and

a chairman who does nothing

fessionalism and the calibre of

people. It's not the title."

of the Hill Samuel Group.

and vice-versa. It's the pro-

In addition, he says, Bee-

cham does have a non-execu-

tive vice-chairman in the form of Sir Robert Clark, chairman

holiday and unable to com-

ment on Robb's departure and its consequences for Beecham.

Robb, however, is quite happy

to provide his own assessment

of how much power Bauman

Beecham in November 1985

decided to split the role of

chairman and chief executive. What's happened with my departure is they've gone back

to combining the two. Whether

that means he's lord of all he

surveys I can't say, but every-

one can draw their own conclu-

"As far as I'm concerned

Lord Keith was abroad on

He adds that "you can have

supervising what I'm doing."

existence. These are the audit committee, the remuneration and nomination committee and the finance committee

All three are composed entirely or largely of non-executive directors. Bauman admits, however, that they are under strength and will remain so until the new non-executives are appointed.

But whatever checks there are, is it not preferable for companies to have both a chairman and a chief executive rather than just an executive chairman as Beacham now has? Bauman says he has worked in companies where the two roles are combined and in organisations where they are separate.

He argues that the titles that people hold are less important than the way in which the company operates. "I think what's very important is to have a good board and good non-executive directors as part of that board. That's an important part of the balance of power in the company," he says. "I have authority over

You really need somebody who's spending more time on the business than the average non-executive director. That's where I would suggest that the non-executive chairman comes in because he will, by and large, spend more time on the business than the average non-executive director would do. I think that's the sort of safeguard that's in the interest of the shareholders," he says. Given that Bauman has now t overall executive control. did he consider calling himself chief executive and suggesting

"I did not give it a tremen-dous amount of thought," Bauman savs.

He says, however, that there was some discussion of the idea. How much discussion? "It went by very quickly," he says.

that the board appoint a non-

executive chairman?

How effective are Beecham's board committees? "Well, I think it's very early days yet, frankly," says Robb. "These committees were set up around two years ago and that's a very short period of time to say whether they are an effective check on the business or not. All I can say is that non-executive directors have full-time employment elsewhere and there is a limit to how much policing they can do, if that's

As to what set-up he thinks is best, Robb says that he would "strongly support a structure where there is a strong chief executive and a representative chairmen." non-executive chairman. I firmly believe that should be

He agrees that it is difficult for an executive chairman and chief executive to work together, as he and Bauman had been doing at Beecham.
"That's what a lot of the disenchantment with my position was," he says. "One headhunter has said to me that what Beecham ended up with was not a chairman and chief executive but two chief executives. I'm not saying that -that's what a headhunter said to me

Robb draws on his own experience as a non-executive m ber of the boards of the National Freight Consortium and STC to argue the case for a non-executive chairman.

> The courses, open to a new intake of an average 20 students per year from each country, provide business studies in two languages and in two countries over a four-year period. Students gain industrial training and experience

throughout the European Com-

This is the view of Professor

Günter Peise, head of the European Business Programme at

the Fachhochschule (polytech-

nic) in the ancient university

town of Münster, who is one of the guiding lights behind the

Nevertheless, Peise is full of

praise for a partnership between the Fachhochschule

and Humberside College of

Higher Education in the UK. Courses launched by the part-nership in 1981 give students

the valuable opportunity of acquiring a "double qualifica-tion" in business studies diplo-

mas which are valid in the two

Peise feels that British industry's relative lack of interest in the scheme reflects

the UK's lagging enthusiasm

In contrast, he points to the scope of the Münster-Hull pro-

gramme having widened fur-

ther last year when institutes

from France and Spain - the

Ecole Multinationale des

Affaires in Bordeaux and the

Centro Europeo de Gestion de

Empresas in Madrid - joined

for European co-operation.

EC countries.

seven year-old programme.

Industrial graduates 'doubly qualified' David Marsh reports on an Anglo-German training initiative ritish industry has during two six-monthly place-been much slower ments with companies in their than West German home country and abroad.

Including this summer's companies in taking advantage of a joint training initiative to prepare graduates for industrial jobs in countries graduates, 166 students - half each from Britain and the Fed-

Professor Günter Peise: many students have accepted jobs with companies where they had been on placement

eral Republic - have graduated from the Hull-Münster nmeramme since it was set up. Peise says most of them have gone on to good internationally-oriented jobs, often with companies they got to know

Although the EC sponsors about 500 joint study courses in more than one country, the Münster programme is one of only three which offer partici-pants a long stay abroad and a double qualification.

"West German firms up to now have been more willing than British ones to offer students on the course a six month placement," says Peise. Companies run their eye over qualified graduates with a view to employing them later, he

west German companies which have offered placements include Daimler-Benz, Continental Gummi, Hoechst, Westdeutsche Landesbank, BASF. Siemens and Robert Bosch. Although smaller British companies have joined in the scheme, it has been harder to encourage participation by larger UK groups of the same stature as the German ones, says Peise.

Rosina Jones, the course leader at Humberside dealing with the business studies programme, says that British companies which have joined in so far include Beecham, Clarks Shoes, ICI, ICL, and the Ted Bates advertising agency. But she confirms that UK groups

have been less interested than than those in Germany. "If British industry wants to gear up towards 1992, we have courses which they should be exploiting," she says.

UK companies often want to take sandwich course students on for a full 12 months rather than the six months offered by his programme, according to Peise. "British industry has not got the message," he says. "My colleagues in Hull tell me that British industry is still a bit insular.*

According to Peise, the quality of West German students on the course is generally higher than those who apply to Hull. There are about 20 to 25 applications for each place on the Fachhochschule course. The pace of British applications has been somewhat less frenetic; 340 students applied for 18 places last year.

"In Britain, people tend to say, "Where is Hull?" says the Munster professor. "This is changing, but very slow-ly . At Oxford and Cam-bridge, students learn good table manners, but they don't get the same opportunities as they do here."

On the evidence of conversations with students attending the Münster courses, the international programme certainly offers plenty of opportunities. "It's the only programme offer-ing practical experience and a theoretical background," says fourth year student Frank Jung, who has taken a job with

"The good thing about the company placements is not just that you get the experience. You also make contacts

Holger Kalvelaga, also from Germany. He has secured a job with Daimler now that he has

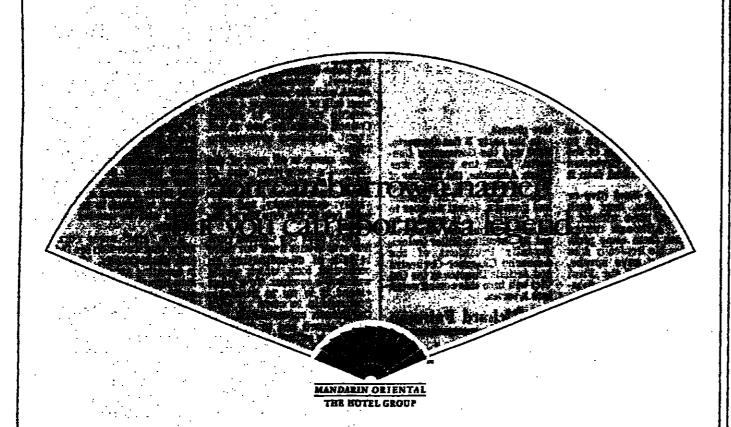
finished his course. "By starting to work in a for-eign country as a student, you gain a lot personally – learning to stand up for yourself, adapting to a different way of thinking," says Fiona Anderson from the UK, also in her

fourth year. "It's a breakthrough in broadening horizons," says Robin Lange, a former British civil servant who has Austrian family connections and enrolled for the course last year to seek a more interna-tional view on life. "About 50 per cent of this year's fourth year students have already signed contracts with compa nies ahead of their graduation this summer," says Peise.

The jobs are mainly market ing and financial control - the chief course subjects. Information technology has been added to the curriculum under the four-country scheme started

last year. Students on the international courses study alongside people doing purely national courses. The two-country scheme does not try to compete with the national courses by imparting as much concentrated information on subjects like law or financial regulations in a particular country. Instead, it gives a broader

Peise says his courses are contributing to "an integrated Europe." He adds: "We need people who can co-operate in firms in more than one country - knowing not only the lan-guage, but also the different



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It could only happen in the producer-dominated 1980s that the operas of Bellini and Doni-zetti should be looked upon as problem dramas, and that opera companies should so often fail to get them to work.

For their first attempt at Donizetti's Lucia di Lammermoor Opera North have borrowed the production originally mounted by Welsh National Opera a couple of years ago. The staging was given a muted welcome when it was new and it would seem from the credits in the programme that a substantial amount of re-thinking was done before its presentation in Leeds. But to judge from the lacklustre show offered in the Grand Theatre on Saturday, the company have not really put their heart into the piece.

Visually the evening is a depressing affair. There are many ways that the atmosphere of Walter Scott's chill Scottish landscape might be depicted on stage and leaving the cast to clamber up and down a rocky incline in the murk seems to me one of the least imaginative of them. The only sign that a director and lighting designer have been



Valerie Masterton in Lucia di Lammermoor

with its light, airy phrasing, its lean strong tone and its sharp

woodwind. Possibly the rapt ment the sature of the music following Schubert the trumpet calls was forfeit in intended.

involved in the production at all comes when somebody switches on a red light every time the word 'sangue' is men-

Better to do as Karajan once did, when he was directing the opera with Callas as Lucia: simply put the spotlight on the prima doma and leave it at that. All the drama of this work is concentrated in the human voice anyway and so, if you have a soprano who can make the audience believe in and care about the leading lady, the whole performance will take wing.
Opera North had Valerie
Masterson and (despite a few

intensely affecting moments) their Lucia remained resolutely earthbound. One might have hoped that this singer, so moving in the past as fragile heroines like Violetta or Mimi, might repeat her earlier suc-cesses. But the coloratura writing of a Donizetti opera calls for vocal technique of a different kind and, as the evening progressed, so the suspicion grew that she was never quite on top of all the notes in this

Among much that was tentative (especially at the top of the voice) just a few passages of simple cantilena, sung on a plaintive thread of tone, stay positively in the memory; but for those one must be grateful, as they were the only moments of the performance that brought the listener any real involvement with the opera.

Over the rest hung the dread air of routine. There was a hot-blooded Edgardo from the young Spanish-American Jorge Pita, an unfinished technician vocally, but an eager stage presence. Keith Latham was a rough-and-ready Enrico and there were reliable supporting appearances by Matthew Best as a sanguine Raimondo and Banks as Arturo. In the pit. Clive Timms' direction was outwardly energetic and positive. Altogether, a shame that Donizetti has not caught Opera North at the top of their pres-

Richard Fairman

rington resisted any tempta-tion to make the final state-

ment the grand peroration that Schubert may well have

Stanley Sadie

London Classical Players

The concert on Thursday in that call for a degree of gravi-

the South Bank's enterprising tas impossible at this speed and instructive "Beethoven The main part of the move

and instructive "Beethoven The main part of the move-Plus" series sounded at first ment, too, fairly scampers rather more like Beethoven along, too rapidly to allow

Minus: minus, that is, the some of Schubert's expressive warmly cushioned, homogenharmony to make much effect ised textures and sonorities or the accompanying figures to

that modern instruments give be clearly articulated. Yet it us, at least by comparison with their period counterparts. be clearly articulated. Yet it was a spare, muscular reading, its accents sharply marked,

Roger Nortington began and developing a thrilling

with Leonore No 3 overture, a momentum at the middle of brisk, taut reading that seemed the movement — sustained almost to lay the music bare right to the end, where Mr Nor-

this no nonsense reading but
the raw edge to the sound in
the final C major jubilance,
profited from some exquisite

especially at those urgent syncopations, said something just one moment of real luxuriabout the meaning of the
music that goes unheard in
ordinary, "modern" performances.

See the County Synhour from some exquisite
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Spohr's Second Symphony his otherwise inflexible tempo;

sponr's Second Symphony his otherwise inflexible tempo; proved a welcome rarity, an the scherzo pounded along, amiable and ingenious piece with a touch of pathos, or perwith a touch of pathos, or perhaps rather an air of gentle all was the finale, securely, yearning, apt to its key. D minor.

Mr Norrington's reading of the Schubert Great C major manes. Like the first movement it was ricker and movement.

seemed mitially to be cutting it ment, it was risky; and unlike

down to size or somewhat less. the first movement, it worked

A case can be made for a magnificently.

quickish slow introduction, even if there are things in it

The Royal Opera House, Covent Garden, and the adjoining land it is planning to redevelop ARCHITECTURE

Planners face landmark issue

Colin Amery on the Royal Opera House redevelopment scheme

The imminent judgment from the Court of reached its decision. Appeal that may affect the progress of the development of the Royal Opera House once again focuses national attention on important architectural and cultural

Covent Garden, as an area, has long been a crucible for changes in approach to town planning. Its present appearance and general popularity reflects well on those who fought in public and in private for the conservation of the main buildings and the general enhancement of the entire neigh-bourhood. Sadly, however, the Covent Gar-den Community Association is now in expensive legal dispute with Westminster City Council over the redevelopment of the Opera House. This struggle is overshadowing an important and significant development that could enhance the cul-tural life of the capital and the nation.

It is worth elucidating the arguments behind the current debate. Lord Jenkins, the former minister for the arts, wrote in this paper last week a polemical plea for a public inquiry into the pros and cons of the whole redevelopment. He also asked for the Government to "shoulder the whole cost of a new plan." This is an unreal suggestion. The one certainty in the whole Covent Garden affair is that the present Government will not contribute anything beyond the gift of land made 12 years ago by a Labour administration.

However, the present matter before the Appeal judges is a consideration of the two grounds that the Covent Garden Commi nity Association is relying upon to quash the resolution of the Planning and Development Committee of Westminster City Council (adopted by the Council on July 29, 1987) that planning permission and listed building consents be granted for the redevelopment of the Royal Opera House. erations are not material matters to be time to plan in detail all the necessary taken into account when considering planning matters and that the council had it is no secret that any redevelopment

Mozart at the Theatre

The posters outside were providing an imposing focus of announcing the forthcoming attention. It is easy to imagine

The first is the really contentious one, although (with the second) it was convinc-ingly dismissed by Mr Justice Webster in the High Court on February 8 this year. Because the Royal Opera House has to find its own funds for any redevelopment, its proposals, which have been aired before in these pages, necessarily involve a considerable commercial element on the site that will help to provide money for the redevelopment and improvement of the

19th-century opera house. Should financial aspects of this kind be considered as material matters when it comes to the granting of consents? Only the judges can settle this point. It is very hard to see how financial considerations, which will fund improvements to public facilities, can be ignored. Should the judges decide that such aspects cannot be taken into account, then an appeal to the House of Lords looks likely to be followed by Government-sponsored legislation to amend the planning laws. Whatever the legal deliberations pro-

duce, the redevelopment of the Royal Opera House can only be delayed, not stopped. There is now an entirely new regime at Covent Garden: Sir John Sains-bury, chairman since September 1987; Mr Jeremy Isaacs, the new General Director; and a new post - Managing Director of the Royal Opera House Development -filled by Mr Richard Ensor.

While judges ponder, this new team has taken the opportunity to make some sub-stantial revisions to the existing development plans. One of the key changes that The Opera House will not now close until 1993 - when it will close down for three years to allow the whole redevelopment to n one on. In the o The two grounds are that financial consid- the next five years there will be ample

stantial public benefits in the scheme prestantial public sensing in the scheme pre-pared by the architects Jeremy Dixon/BDP in the form of shops, restaurants and promenades. It is likely that this aspect of the scheme will be enhanced. Mr Isaacs hopes that, after a period of quiet revision and a resolution of the legal battle, the Opera House will be able to speak freely about its revised plans.

about its revised plans.

Throughout this uncertain period there is one constant factor: the design by Jerenny Dixon/BDP. He is a very open-minded architect with apparent infinite patience, ready to respond to a changing brief. It is worth bearing in mind that the Opera House is not developing simply for itself. The scheme will complete Inigo Jones's Piazza — a factor of incomparable benefit to the whole of London. to the whole of London.

It is a tight site, and whatever the rede-elopment achieves neighbours are always going to be sensitive. Surely, however, it is time for the local association to stop their awkward behaviour — seeing every move of the opera house Development Board in the worst possible light. They could join the Opera House in fighting off the proposed large car park that Westminster wants to include in any redevelopment; they could be to the world but to see the value of any they could try to see the value of an expanded opera house in terms of employ-ment and the emichment of the whole of the Covent Garden area.

There is undoubtedly a new robustness at the Opera House - and a regime that believes it can find the money for its projects. The costs continue to rise - currently around £150m. It is going to be expensive to transform the buildings and secure their future at the heart of London. It is interesting to compare the future of Covent Garden with the plans currently on display at the Royal Festival Hall of the Opera Bastille in Paris. This is due to open next year at a cost of some £200m, entirely found by the French Government as part of its determination to make Paris the cultural capital of 20th-century Europe.

SPONSORSHIP

Aid for the RSC

Royal Shakespeare Company. In the last few months it has taken a critical puminelling while its arch rival, the National Theatre, has revelled in the optimistic publicity which has accompanied its new director, Richard Eyre, into Sir Peter Hail's seat. Now, English Estates, which develops industrial and com-mercial sites, mainly in inner cities, has shown its confidence in the RSC by channelling £125,000 into an educational programme. In this area, too, the National had stolen a march, with sponsorship from Lloyds, (a £259,000 injection which makes it the NT's big-gest business friend), Sains-bury and W.H. Smith to finance educational projects. Now the RSC can fulfil the vital role of building up a future audience while bringing much-needed creative stimula-tion to some of the more economically depressed parts of the country.

There will be more work-

shops; more projects; more teachers' courses — in fact a whole range of extra services for schools, details of which can be obtained from the RSC's Education Offices at the Barbican and Stratford One with most potential is "Choices," ploneered in New York high schools, which aims to intro-duce Shakespeare students to the choices faced by directors, designers and actors when

rehearsing the plays. English Estates became nvolved with arts sponsorship a year ago. It has now considerably boosted its budget, to around £400,000, and put together a package with the help of the Association for Business Sponsorship of the Arts (ABSA). Traditionally, ABSA has avoided being used as an organising broker between business and arts groups - it does not want to ruffle the feathers of the PR consultants - but it will advise if asked and inevitably gets sucked in to suggesting schemes. It also advised on the

Digital dance package.

Ragish Estates is Tyneside based and is supporting the RSC season in Newcastle, the Northern Sinfonietta, the Ragel I ingrared Philharmonic Royal Liverpool Philharmonic, and the London Mozart Players, among others. It is latching on to another American idea - that the arts have a idea - that the arts have a vital role to play in reviving the inner cities.

The Arts Council is looking for calling in consultants and it one of the paintings. has asked Strategic Sponsorship to examine the areas of its report by the end of the month.

It is surprising that the Arts is supporting a Miré exhibition council has not acted earlier. Mr Luke Rittner, its secretary general, formerly headed ABSA and for years there has been talk of appointing a spon-sorship specialist to advise Council clients on how to set about attracting sponsorship

The move is all part of the Council's long-term aim of funding at arms' length and of playing much more of an innovatory, consultancy, and strategic role in the arts life of the

nation.
These days the Council runs few arts events itself but there is talk of co-ordinating an orchestral tour, which would welcome a sponsor. To a great extent it is up to Strategic Sponsorship to come up with the growth opportunities. The Arts Council had to do something. It is telling all its clients to build up alternative sources of revenue: it must practice what it preaches.

Last week the Arts Council announced its first award under its Incentive Funding scheme. The Arvon Founda-tion, which promotes poetry and new writing generally, is to receive an extra £36,500 over three years to match, in the ratio of £1 to every £2 from the saries for new writers and acquire the Foundation's Yorkshire freehold. Even among insiders there is

confusion about the two Gov-ernment-funded schemes, which supplement the basic financing of the arts. The Arts Council has \$3.500 to distribute this year to its clients under the Incentive Scheme, which is designed to bolster their own revenue-generating activities. When applications closed on Friday the Council was anticipating 150 requests from its clients for money from the Scheme. (Small arts organisa-tions will be offered consultancy advice if they have problems devising money-producing initiative.)

However, the Incentive Scheme clashes with the Business Sponsorship Incentive Scheme (BSIS), which also has £3m to spend and which is administered by ABSA on Arts. This gives cash, at the rate of £1 to every £3 put up by sponsors, to arts groups who attract interesting new spon-sorships. Aid from new sponsors merits £1-for-£1 BSIS sup-

Unfortunately an arts organation cannot put any of the aid it might attract from BSIS towards the cost of the programme it is devising for, say, a money-making merchandis ing exercise, computerising its box office or any of the other schemes which might qualify it for an award from the Arts Council. The Government does twice over. This is a nonsense and the confusion of having two similar schemes, even though they start from very different premises, cries out for one coherent, streamlined approach to incentive funding.

Unilever was traditionally an active buyer of contemporary art to cohance its office environment but, for its size, it has not been a major sponsor of the arts. This may be chang-ing. It is back on the art sup-porting trail and is sponsoring the Whitechapel Show to the tune of £15,000.

The Show dates back to 1901 and is the Whitechapel Gallery's commendable attempt to serve local artists by giving them an annual exhibition. For many years the quality of the exhibits was in deline but now there are more artists in East London than anywhere else in Europe and the quality is rissponsors. These days the Couning again. So much so that cil hardly moves without first. Unilever has already bought

The Whitechapel is a good example of an adventurous activities which might be arts organisation which sucattractive to sponsors and to ceeds in attracting sponsors. recommend a sponsorship Mont Blanc is backing three recommend a sponsorship Mont Blanc is backing three structure for the Council. The exhibitions over three years, consultants are expected to starting with a Richard Deacon

> The key to successful arts sponsorship is to identify new trends and to get in there early. This is the achievement of Moosehead, the lager-like ale made here by Whitbread. It is looking for young, indepen-dently-minded consumers, who once having discovered the beer will remain loyal to it. So the fairly modest sponsorship budget is linked to the artistic fringe and to monied opinion

Two "arts" areas currently attracting attention are fashion and photography. Moosehead is spending £30,000, its highest arts investment yet, to enable eight young British designers to show off their work in London Fashion Week. Without the aid they would not be able to have their designs modelled before the world's leading buy-ers. Last November, Moose-head sponsored Paul Smith's first UK fashlon show. Next month Moosehead is

backing a major exhibition of the photographs of Helmut Newton at the National Portrait Gallery, along with a show of Newton nudes at the Hamilton Gallery.

Antony Thorncroft

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FINANCIAL TIMES

ARTS GUIDE

MUSIC

London

announcing the forthcoming production of *The Tempest* but for the first time in many years the audience at the Old Vic had come for an evening of music rather than drama. The

theatre is trying out its poten-tial as an occasional home for musical events and on Wednes-

day night offered a concert of

Mozart symphonies and con-

The house makes an elegant venue: the inside of the restored auditorium looks

handsome with the lights up, the central chandelier itself

Beethoven Pius is a series of concerts between September 18 and December 10 which seeks

to set the composer's music in the context of his own time. The work of over 30 of Beethoven's contemporaries will also be fea-tured. Royal Festival Hall, Queen Elizabeth Hall, Purcell Room. (828 3191). Moscow Virtuoses with Vladhnir Spivalov as conductor and solo-ist, and the Orison Donoftiarra choir. Mozart. SallsPisyel (Mon) (928 3191). London Philharmonic Orchestra

London Philharmonic Orchestra conducted by Kurt Masur. Con-cert performance of Beethoven's Fidelio, with Eva-Maria Bund-schuh, Klaus König, Dunald McIntyre. Royal Festival Hall (Mon) (928 3191). City of London Simfonia directed by Richard Hickox, with Mon-tserrat Caballé (soorano). Mem-delssohn, Berlioz, Beethoven. Barbican Hall (Tue) (638 3891). Royal Fhilharmonic Orchestra conducted by Erich Leinsdorf, with Barry Tuckwell (horn). Rahms, Mozart, Dvorak. Royal Festival Hall (Tue) (928 3191). Royal Fhilharmonic Orchestra

Royal Philiparmonic Orchestra conducted by Stuart Bedfurd, with James Lisney (pizno). Glinka, Grieg, Sibelius, Tchai-kovsky, Barbican Hall (Wed)

kovsky. Barbican Hall (Wed)
(638 8891).
BBC Symphony Orchestra conducted by Sir John Pritchard.
Concert performance of Schönberg's Moses and Aron. Royal
Festival Hall (Wed) (923 3191).
English Chamber Orchestra with
Ian Watson (conductor/harpsichord). Jack Brymer (clarinet).
José Luis Garcia (violin). Bach,
Handel. Mozart, Vivaldi. Barbican Hall (Thur) (838 8891).
Berlin Philharmonic Orchestra
conducted by Herbert von Karajen. Schönberg, Brahms. Royal
Festival Hall (Thur) (928 3191).

Orchestra of the Age of Enlight-enment directed by Gustav Leon-hardt, with Anna Bylama (cello). Haydn, C.P.E. Bach, Mozart. Queen Elizabeth Hall (Thur) (228 3191).

chamber recitals working well in this friendly ambience,

though for the initial event the

choice had fallen — perhaps to draw the widest public support — on a programme for cham-

behind the proscenium arch, there might have been a danger of losing the sound upwards but in fact it seems to

be thrown well forward and the orchestra sounded sharp

and immediate. Indeed, the

acoustic generally is on the dry

With all the players placed

insufficient information before it when it will be a mixed one. There are now sub-

soloists: Pierre-Laurent Aimard, Irina Kataieva, Alain

Almard Irina Rataieva, Alain Neveux (piano). Zimmermann, Barraque. Radio France (Mon) (42301516). Karlheinz Stockhausen. Cham-ber music. Opéra Comique (Mon, Tue, Wed) (42961220). Berlin Phillammonic Orchestra conducted by Berbart von Kara-jan Schönberg. Brahma, Théstre des Champs Elysées (Wed) (4780887).

(4723637). Orchestre de Paris conducted by James Conlon. Mahler (6th symphony). Salle Pleyel (Wed, Thur) (45630736). Thur) (45630796).
Marie-Cinire Alain (organ),
young soloists conducted by
Rachid Safir, Bach, Buttehuda,
Grunenwald, Alain, Durufié.
Saint-Germain-des-Pres church
(1991) (42201518) (Thur) (42301516). Pierre Amoyal (violin), Anne Queffelec (piano). Schumann, Fauré, Brahms. Musée d'Orsay

(Thur) (40494978). Wiener Mozert Orchester in his-torical costume. Mozert. Sofientarical costones: mostic Strang-saele (Wed). Berlin Philharmonic Orchestra communicat by Barbert von Kara-jan, Schönburg, Brahms, Musik-versin (Mon). Alban Berg Quartet and players from the Amadeus Quartet. Braims, Schubert. Konzerthaus (Mon, Tues).
Vienna Symphony Orchestra
conducted by Rafael Fruhbeck
de Burgos, with Alicia de Larrocha (piano). Mozart, Tchaikov-

side - not unpleasantly so tive glosses.

although it was enough to show up the intonation of the Ambache Chamber Orchestra

strings as less polished than it

ought to be.
This smallish band (five or six first violins, four each lower strings) plays without a conductor. Although tuning

might cause them some prob-

lems, ensemble ironically does not, and they gave spruce, clean accounts of the First Symphony and Prague Sym-phony of Mozart. There were few insights into the music but

few insights into the music but also few unwanted interpreta-

cha (piano). Mozart, 'Icharkov-sky, Musikverein (Wed. Thur). Kuchi Quartett in Haydn, Bee-thoven and Mozart. Musikverein (Wed). Frankfurt

Frankfurt Alte Oper, Orphsus Chamber Orchestra and Reinz Holliger (obce) and conducting Mozart, Strauss, Ives and Tchai-

kovsky. Munich Philharmonic Orchestra conducted by Sergiu Celebidache Berlioz, Schubert and Tchaikovsky. (Tues)

Villa Medici, Eco e Narciso. A series of concerts sponsored jointly by Rai's third programme and the Rome daily La Repubblica. Chamber Choir of Milan in A. Gentlinct's Two Airs from Moby Dick for sopramo, choir and six instruments (1988), Petrasa's Mottetti pei in Passione, and Monteverdi's Missa in Bio Tempore, with sopramo Victoria Schneider and (Mon) planist Herbert Henck playing Zimmermann's Abgeschiedenheit (first performance) and Cage's Music of Changes, and (Tues) sopramo Luisa Castellani with the Roman Guitar Quartet playing Purcell, Pennisi, Gabriell and Clementi (SA4601).

New York Cincinnati Symphony conducted by Jesus Lopez-Cobes, with Bella Davidovich (plano). Reger, Chopin, Schumann. Carnegie Hall. (Tue) (247 7800).
New York Philharmonic conducted by Zubin Mahta, with Yo-You Ma (cello), Dvorak, Bruckner, Avery Fisher Hall, Lincoln Center (Wed) (799 9895).
Dallas Symphony Orchestra conducted by Eduardo Mata conducted by Eduardo Mata conducting, with Vladimir Vlardo (piano). Rachmaninov, Stravinsky. Carnegie Hall. (Wed) (247 7800). 7800). Rizhak Perimen, violin nacital. Mired programme, Carnegie Hall (Thur) (247 7800).

In the early B flat Concerto, K238 and the Coronation Con-certo, K503 the soloist was

Diana Ambache, the founder of

the orchestra and a generally

had drawn a decent number to the theatre, but it remains to be seen whether the omnipres-

ent Dr Jonathan Miller (coinci-

dentally President of the Ambache Chamber Orchestra

and Artistic Director at the Old

Vic) will turn this one off event

September 30-October 6

Richard Fairman

reliable planist. The concer

Waterstreeters National Symphony Orchstra conducted by Matislav Rostropovich, with Frederica von Stade (mazzo-soprano). Besthoven, Mozart, Ravel, Franck, Kennedy Center Concert Hall (Thur) (254

Chicago Chicago Symphony Orchestra conducted by Sir Georg Solti, with Susan Dunn (soprano), Simon Estas (base), Vendi. Orchestra Hall (Thur) (435 8122).

Alfred Brendel (plano), Schubert Hitomi Memorial Hall (Mon) (353 Theo Adam with Rudolf Dunckel (piano), Schubert's Die Winter-reise, Suntory Hall (Mon) (285

reise. Sumory Hall (Mon) (285-1661). Sviztoslav Richter (piano). Hitomi Memorial Hall (Thura) (235-1616). Josef Suk Chamber Ensemble. Vivaldi, Talemann, Handel, Dvo-rak, Casals Hall (Thura) (281-2826).

SALEROOM

Images of Suprematism Sotheby's stole a march on its services of porcelain made for arch rival Christie's in the Catherine the Great in the late

arch rival Christie's in the summer by holding the first major auction in Moscow, selling contemporary Soviet art for more than \$2m. Now Christie's is hitting back on Thursday with its most representative sale ever of Russian art. It includes objects from the time of Peter the Great to the 20th century.

of Peter the Great to the 20th century.

The highest prices are likely to be paid for the avant-garde books, prepared between 1910 and 1925. They include an example of Kasimir Malevich's Suprematism 34 Risunka, a lithographically-printed work containing most of the pivotal images of the Suprematism art movement between 1915 and 1920. It is regarded as the "Bible of Suprematism" and should sell for at least 275,000. should sell for at least £75,000. In contrast one plate from the "Yacht" service is expected to realise around £2,000. This was one of the most famous

18th-century by Saxon crafts-men imported from Meissen. The other great service of her reign, the "Arabesque," is rep-resented by two plates which should sell for roughly the same sum. Meanwhile, in New York on

Meanwine, in New York on Thursday Christie's is selling western avant-garde paintings, collected by the eccentric millionaire Edward James. He was a sponsor of the surrealists and on offer are a classic 1936 work has been the beauty whether a by Paul Delvaux, showing a half nude woman in a moonlit landscape (estimate \$300,000), and one of Dall's most famous artifacts, his "Lobster tele-phone," which combines two totally unrelated objects to form what Dali termed an object "useless from a practical and rational point of view." It should sell for \$25,000.

Antony Thorncroft

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FINANCIAL TIMES

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Monday October 3 1988

President Gorbachev

West wishes Mr Gorbachev well, and will therefore be relieved that he appears to have come out firmly on top in the latest Kremlin power struggle. The results were registered by the meetings of the Central Committee of the Communist Party on Friday and of the Supreme Soviet on Saturday.

Those meetings were dramatic in their suddenness, and in the sweeping changes of personnel at the top of the Party and the State which they announced. They were not dramatic in the sense of offering any public clash of views. This was old-style Soviet politics: the real drama had been played out in advance behind

Never mind. Mr Gorbachev would not be where he is if he were not a skilled practitioner of old-style Soviet politics. New rules can only be introduced and consolidated if their advotory under the old rules - just as, after the death of Stalin, his heirs would never have been able to inaugurate a less brutal era of Soviet politics had they not themselves carried out a ruthless putsch against Beria and summarily executed him. At least the present generation has left those methods behind.

Dramatic presentation

A more serious doubt is whether Mr Gorbachev's victory is as decisive as it seems. For all their dramatic presenta-tion, the changes so far announced bear some marks of a carefully negotiated compromise. Certainly neither of the two leaders generally credited with seeking to hold back perestroika has been elimi-

Mr Yegor Ligachev is no longer responsible for ideology, but the extent of his real control of this key sphere of activity has been doubtful for some months. To some observers, the influence of Mr Alexander Yakoviev, nominally in charge of propaganda and regarded as one of Mr Gorbachev's closest allies, has seemed much stronger. Both Mr Ligachev and Mr Yakovlev are reassigned to other duties (Mr Ligachev to agriculture, hitherto presented as the priority for economic reform), while their former whether Mr Gorbachev has the responsibilities are combined recipe for solving either of under the little-known new-

Lessons from

Piper Alpha

THE INTERIM technical report

into the Piper Alpha North Sea oil platform disaster provides a dreadful catalogue of errors

which show that the safety

systems under the general supervision of the Department

of Energy did not work.
Full apportionment of blame

for the explosions and fires in

which 167 men died must await the outcome of the public inquiry next year. However,

the department has wisely published the preliminary report by Mr James Petrie, its direc-tor of safety for the oil indus-

try, so that some of the most

urgent lessons can be learned without delay.

The most important conclusion to be drawn from the report is that this was a cata-

strophic disaster with a chain of causes which public policy and safety regulations can and

should prevent. It appears not to have been in that category

to have been in that category of accidents which, however distressing, have to be accepted as a normal risk in hazardous occupations.

In the offshore oil and gas industry the risks of human error have long been recognised. In spite of the tightest precautions, some accidents will happen. The task of the safety system and those who supervise it must be to ensure

supervise it must be to ensure that the damage is contained,

At Piper Alpha the first explosion at 10 pm on July 6 was serious but not cata-strophic. It caused a fire which

burned for 22 minutes, before a main gas pipe ruptured, envel-oping the whole structure in a fireball. During this period,

while many of the crew remained alive in the accom-

modation module, emergency pumps and automatic sprin-klers failed to operate, emer-

gency power and communica-tions systems did not work

and, most damning of all, the two life-rafts which were launched failed to inflate. Although it is too early to

raise questions of negligence, it

is already clear that Occidental

Petroleum, the US company which operated the platform,

and does not run wild.

Failed equipment

Vadim Medvedev.

It is by no means clear, as

yet, that Mr Ligachev has lost s position as number two in the Party, with the right to chair meetings of the Secretar-iat in Mr Gorbachev's absence; and the degree of freedom and glasnost that the media will enjoy without Mr Yakovlev's protection is equally uncertain. As for Mr Viktor Chebrikov, though he loses the chairman ship of the KGB, he is at least technically promoted by being brought into the Secretariat, thus following precisely the curriculum vitae by which his predecessor, the late Yuri Andropov, climbed to supreme power. One can only wonder how much conviction he will bring to his new task of overseeing the Soviet Union's transformation into a "state based on law".

None the less, the overall effect of the changes amounts to a recapture of the initiative by Mr Gorbachev and a mucheded reassertion of the dynamism of perestrolka at a moment when it had appeared to be flagging badly. The changes include the removal from the politburo of several of the Brezhnevite old guard; the drastic slimming down of the party apparatus; the apparant downgrading of ideology; the subordination of the KGB to the ministry of the interior (and, within the KGB, of interior and proposessing to extend the control of the contro nal repression to external espi-onage/counter-espionage); and finally the assumption of the ency by Mr Gorbachev in

nomic reform can only work if

ordinary people are convinced

selves wholeheartedly into the

effort, although no tangible benefits will be forthcoming

until it does work; and that political reform allows

demands to surface, especially

among the non-Russian Soviet

nationalities which, if granted

would be liable to call into

question the whole basis of the

eadership's power, if not the

very existence of the Soviet

Union itself. It remains unclear

and the Department of Energy will have some difficult ques-tions to answer. One of the first questions which needs to be put to Occidental is why it

undergoing maintenance.

of its benefits and throw them

readiness for its transforma-tion into an executive role. Mr Gorbachev is still very much in power, which is good as far as it goes. But it does not in itself resolve either of the fundamental problems he confronts. These are that eco-

a larger predator.
International Thomson, the Canadian oil travel and publishing group wanted Associated Book Publishers

- 51.2 times earnings.

Mr Maxwell's conviction that the

Pearson, the publishing and industrial group which publishes the Financial Times, was more prim and proper when it made its move last month. It announced an "engagement" to Elsevier, the leading Dutch ment to sisevier, the leading Dutch publisher — in reality a hard-nosed share swap that makes it more difficult for Mr Murdoch, who has an 18 per cent stake in Pearson, or anyone else to take the company over.

But why should such a traditional hardress as publishing he so more

Raymond Snoddy on the rush of takeover bids among publishing groups

A chapter of acquisitions

ublishers from all around the world were startled this summer by Mr Eric de Bellaigue's analogy. The publishing analyst told the International Publishers Association Congress in London that the civilised art of producing books and magazines was actu-ally like the oil production business. Although more than geography may separate the North Sea from the literary salon, both businesses, he ed, involved the exploitation suggested, involved the explination of exclusive but wasting assets, were international in scope, noticeably subject to takeover bids and above all dependent on luck, if dry wells or deficient authors were to be avoided.

Light after charges My de Rellaigue It is often cheaper, Mr de Bellaigue reminded his audience, for an oil com-pany to buy a rival with proven acre-

"For a firm wishing to invest in, say, legal publishing, it could be an act of statesmanship to pay 40 times earnings for an existing company than try to build up lists of its own from scratch," the CIBC Securities stockbroker continued

age than risk developing some them-

In reality the mood in the international publishing business has been closer to gold rush than anything so sedate as the oil business over the past couple of years. Famous names have been auctioned, predators swooped and potential victims have sought the safety of friendly embraces. All the while, the big names of the industry such as Bertlesmann of West Germany, Hachette of France and Mr Rupert Murdoch's News Corporation have bought and

In the past two years, 32 significant publishing acquisitions by British companies have been logged in the US alone, although only seven in the opposite direction. More than \$5bn in blishing acquisitions are expected publishing acquisitions are unpertaints year without counting Mr Rupert Murdoch's agreed \$50n bid for TV Guide and Triangle Publications in the US and Mr Robert Maxwell's fiercely contested \$2.5bn bid for Macn, the US publisher.

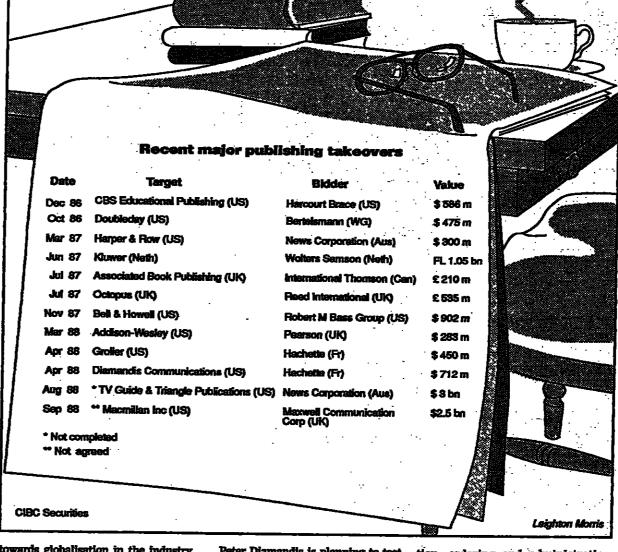
"All around us there are signs of increasing concentration and increasing internationalisation in publishing," said Mr Peter Davies, chief executive of Reed International, last

Reed has been so enamoured of publishing that it has sold virtually everything else to concentrate on it and is now rather nervously sitting on a pile of more than £800m in cash, painstakingly searching for the right acquisitions while at the same time looking over its shoulder to make sure it in turn is not being stalked by

and its Sweet & Maxwell legal imprint so hadly that last year it paid £210m

publishing world of the future will be dominated by the top 10 companies is only matched by his desire to become

business as publishing be so very desirable? And is the increasing trend



towards globalisation in the industry more a tribute to megalomania and the fear of being last in the rush than the precise search for economies of scale or true synergy?

Publishers may not be as big as oil companies but there is increasing recognition of the many attractive charteristics of the husiness It is not particularly capital inten-

 The leisure and information sector of which it is part continues to grow

at above average rates

• It is a business of franchises and brand loyalty which, if properly tended, can last for generations. But can such a business really break free of its bonds of culture and The answer from Mr Peter Diaman-

dis, chairman of Diamandis Commu-nications, the American magazine company bought earlier this year by Hachette in a \$712m deal, is an Globalisation is real and it's the

unite, he says, pointing to the unbelievable success" of the French fashion-based magazine Elle in the US. It has a circulation of 850,000

US. It has a circulation of 850,000 which is rising rapidly.

Elle is now published in 10 countries but it is the concept that crosses frontiers. The editorial content is completely separate in each country. He says there has been no culture shock at all since his bosses have been the Concorde hopping Frenchmen Mr Jean-Luc Lagardère, the Hachette chairman, and his deputy Mr Daniel Filipacchi.

OBSERVER

Peter Diamandis is planning to test the globalisation theory further by thing the US magazine Flying, aimed mainly at private pilots, in Europe and the French magazine Femme is scheduled to cross the

Atlantic next spring.

Mr Davies at Reed can also point to his emerging "international brands" in the magazine business.

Essentials, itself a Reed response to

the successful incursions of Bertlesmann in the UK women's magazine market with Prima and Best, is now taking the battle to continental Europe with French and Italian versions of the magazine through joint ventures or franchising arrange-

The growing dominance of the English language in business and science and the importance of the US as the largest and most homogeneous market for information has also been a powerful stimulant to publishers whose first language is English.

It has left companies like Hachette and Bertlesmann little option but to tackle the US market.

The economies have already started to flow from Pearson's \$283m acquisition earlier this year of Addison-Wesley, the American education publisher, according to Mr Tim Rix, chairman of the new Addison-Wesley Longman group.

Longman Inc of White Plains, New York, a publisher of college textbooks for the humanities and social sciences, has a turnover of around \$12.75m. Already \$2m has been saved in a single year by merging distribution, ordering and administration

with Addison-Wesley.

More important in international terms has been Addison-Wesley's eding role in the "hard sciences and, in particular, computer science.
"Between us we have a leading dobal network of marketing and disribution," Mr Rix said.

Like Pearson, Reed believes there are powerful reasons for treating publishing as a global activity, although the advantages differ widely in different segments of the market. "It would be a mistake to lose sight

of the individual nature of the reader or customer in a emphoria of dealmaking and empire building," Davies warned last week at a London seminar on the publishing industry. Certainly there is not widespread agreement on the mechanisms at

work, the wisdom of increasing con-centration or even the strategy to be adopted by the would-be global media Mr John Reidy, media analyst at

Drexel Burnham Lambert, a company. involved in the financing of some of the mega-media moves, believes the process is being driven by the weakness of the dollar and the opportunity this gives European publishers to acquire prime US assets cheaply.

"I don't see publishing texts for the third grade in US schools having tremendous application to what you do in the UK and France," Mr Reidy said.

Mr Michael Turner, president of the Publisher's Association and chief executive of Associated Book Publishers, now part of International Thom-son has different worries.

It is, he believes, a most point whether the ability to mobilise large sales forces outweighs the disadvan-

tages of size.

Mr Turner fears there is a danger that the new publishing giants are in effect creating new conglomerates interested in minimising risk and guaranteeing earnings and with top management unlikely to have the par-ticular skills needed to run such a diversity of businesses.

"Between a mass market paperback and a data base there is no true comand a data case incl.

parison," Mr Turner adds,

The dilemma of larger and larger

blishing companies moving ever further from their entrepreneurial roots is highlighted by Mr Andy Zimerman of consultants Cooper & Lybrand in New York. Most of the innovations in the media have come from small companies taking on the traditional players until they are bought out – for instance the Home Box Office pay television channel in the US now owned by Time. There also seems to be a disconcert-

ing number of routes to global media power and influence with some major players nonchalantly selling bits that other publishers desperately want to get their hands on.

International Thomson, for example, recently sold its consumer magazines and is concentrating on less fashion-conscious and more reliable specialist information sectors

Mr Conrad Black, proprietor of the Daily Telegraph and a string of small North American dallies, is sticking to newspapers because that is what he knows about.

Reed, so far at least, sees itself as a print empire. Apart from a stake in British Satellite Broadcasting, the UK's direct satellite venture, it seems to have no large ambitions in televi-Bertlesmann, probably the world's

largest publisher with revenue of \$4.7bn from publishing last year believes: "We are a media business. media." The company is starting to learn about broadcasting with an investment in RTL Plus, the German satellite channel Both Mr Maxwell and Mr Murdoch,

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rivals in almost everything, agree about the importance of being in both the electronic and the print media and in the importance of global markets to the future of the me After confessing to a Washington audience last month that he didn't

really have a very detailed strategic plan and that his 30 acquisitions on four continents had each arisen from unique and unanticipated events, Mr Murdoch asked himself three ques-tions in public about globalisation of the media Is a global communications net-

work a reality? "My answer unequivocally is yes," said the man who owns five national newspapers in the UK. Are there really going to be world-wide media networks? "My answer is yes, both print and electronic," said the man who owns Twentieth Cen-

the man who owns Twentieth Century Fox studies and Fox Television, the would-be fourth US network. Is it really going to be possible for an advertiser to achieve, in practice, a single order with the media of his choice across the world?

"Again my answer is yes," said Mr Murdoch, who plans to launch four channels of satellite television in the UK in February.

UK in February.

And although copyright, like oil field franchises, does run out, unlike oil, the streams of words and images seem limitless, as limitless as the desire of ambitious men to control

Washington's new look

allowed the platform to be operated by a shift in which the three senior men were all deputies. This is a particularly important question since the Washington by way of the National Airport get a splendid view of the city's monuments platform routines were disrupted by maintenance work and it was being operated in a relatively unusual mode, with gas pressures 2% times their previous level. on the short cab-ride down-town. As of this week, it may be even better to arrive by train. Union Station, Danial Burnham's grandiose Beaux The report strongly suggests that the accident was caused by the night control-room Arts design just north of Capi-tol Hill, has emerged from a \$160m refurbishment to pro-vide what he intended: a gate-way worthy of the world's staff's attempt to start a pump which they did not know was

of dust and squalor for decades. In 1961 it was in dan-ger of falling down, and the main buildings were closed. Now the marble is polished,

now the marule is pousieu, the coffers regilt, and somehow the baggage feels lighter. There was an all-day civic re-opening last week with fireworks, bal-loons to rival a Republican

convention and two competing

bands. The acoustics are terri-

ble, but band music is not

likely to be a regular service.

major capital city.

It is not quite what he had in mind because nowadays railway stations have to earn Elaborate systems One question for the departtheir keep as commercial real estate. Burnham originally whether overall safety ment is whether overall safety regulations were stringent enough if they allowed the platform to operate while the automatic fire-fighting system had been partly disabled and switched to manual operation. estate. Burnham originally provided a few amenities designed mainly for Congressmen: a billiard hall, a Turkish bath and swimming pool, a reading room, a shop which specialised in engraving monograms on silver cigar cases — and a mortnary.

The new station is populist, with 24 fast food onliets five Other questions include whether it should have permitted a design which allowed the control room to be disabled by

a gas leak explosion elsewhere on the platform. with 24 fast food outlets, five more dignified restaurants, However these questions are a nine-screen cinema and more than 100 boutiques. Commerce eventually answered, there is little evidence that safety in the North Sea has been skimped to save money. The is on three levels, connected by a maze of curving, balusby a maze of curving, balins-traded staircases. The effect is a little like the new Covent Garden installed under the dome of the Pantheon. Com-merce is dwarfed, though, by Burnham's glant design, and the main concourse (the big-gest in the US), a marble floor under a 96-foot coffered vault, remains uncluttered. skimped to save money. The systems used are elaborate, and did work well to contain a gas explosion in the Brent field in the northern North Sea only the previous day. On the other hand, renewed pressure to remove oversight of North Sea installations from the Department of Energy to a strengthened Health and Safety Executive cannot be dismissed.

Although an independent remains uncluttered.

The station had been a place

Although an independent report in 1980 recommended that the department should retain this responsibility, a strong case can be made that oversight of safety should be entrusted to an independent body. This has been strength-ened by the secretive way in which the department deait with its investigation into a previous explosion at Piper

The station will help the revival in train travel which has been going on for some time: Amtrak's trains remain slow and old-fashioned by European standards, but they are a comfortable, low-stress alternative to the shuttle, and only about an hour slower downtown to downtown. And, as Michelin would say, the station is now worth the detour.

Tebbit's past

■ Norman Tebbit's forthcoming autobiography, Upwardly Mobile, reveals a little of how the Government learned to adjust its statistics. Tebbit picked up the knack from the Financial Times where he joined the prices room straight from school.

To construct the 30-share

To construct the 30-share index, he writes, they used a "wheezy clattering hand-powered adding machine" and log tables. One day they discovered that they had erred. They had set the index two points too high on hectic dealings. "We decided to say nothing and to ease the index down a fraction at a time as conditions permitted. With life's usual perversity we encountions permitted. With life's usual perversity we encountered more than a week of qulet trading with the market mostly firm, during which the FT Ordinary Share Index inched its way slowly down." Some boasting follows. The pre-war Gold Share index was out of date, this being 1947 or 1948. The young Tebbit, single-handedly and with no instruction, "constructed the new loss.

tion, "constructed the new log-arithmically-based index which to my rallef behaved itself perfectly during its trial period and was then substituted for the old index. I have often wondered since how many graduate statisticians, market specialists and computers would be needed for a similar operation today!" Tebbit decided that the



Someone has to take the paper was becoming too intel-lectual for his tastes, and left.

Missing Gromyko

■ Sir Rodric Braithwaite, Britain's new ambassadorin Moscow, has yet to present his credentials. He was due to go through the honours with President Gromyko last week when Gromyko was suddenly fired. He could have been received by Pyotr Demichev, the first deputy president, but he was fired as well.

Braithwaite has a bit of experience of these matters. He was first secretary (commercial) in the Moscow Embassy in 1964 when Nikita Krushchev was bundled out.

It is possible that he will now present his credentials to President Gorbachev, That would be an unusual distinction; British diplomats believe, however, that he is more likely to be received by Anatoly Lukyanov, Gorbachev's new deputy and the man most

responsible for redrafting the Soviet constitution. As for Gromyko, he was about to go to Pyongyang, no doubt to reassure the North Koreans that Moscow was not

about to open full diplomatic relations with Seoul, despite the Soviet successes at the Olympics. Yesterday Tass amounced that the visit was postponed.

Noisy buses ■ Despite by laws which mean

that people carrying blaring radios on buses can be fined, several London bus routes are now playing non-stop pop.

The cacophony is the result of a link-up between London Buses and Capital Radio, the more raucous of London's two commercial radio stations. In 1986 one bus was wired up experimentally to provide Capi-tal Radio programmes in rather had stereo. Surveys showed 75 per cent of passen-gers liked it, London Buses claims, and only two per cent said they would get off and catch apother has So it has

catch another bus. So it has been extended. The by-laws aimed at conrolling passengers' radios provide no protection. "As the operator of the bus, we have a licence to do it," says London Buses. "Capital Radio and ourselves are symbols of London. In any case, drivers and con-ductors have been told to switch it off if people com-

That is easier said than done. Only one of the vehicles involved runs with a conduc-tor, and talking to the driver is not encouraged. The routes affected so far are C1, W3, 55, 45, X68, 253, sometimes 73 or 88, and 38 on Sundays.

Women's lib ■ An ad in a Surrey women's ciub asks: "How old is your dish-washer?" Somebody has

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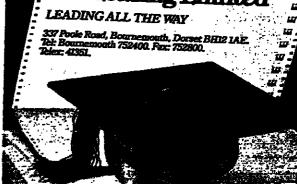
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Miction de

is justifiably satisfied by the werdick of laufet kill-ing reached last Friday by the Ghriffer coroner's jusy in the case of three IRA terrorists shot dead by the SAS, then H will be equally satisfied by the manner by which it was achieved. A florrough inquest was converted into an exten-sive investigation of the events surrounding the deaths of the three without the full paneply of a judicial inquiry.

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4 July 17

An inquest is the law's normal method of determining in a public forum the cause of an unnatural death. It is specifi-cally not designed to provide a definitive way of prohing the perplexities posed, as in this case, by the alchemy of politics, the security forces and threatened terrorism in a British colony over whose sover-eignty two EC countries are in

The coroner is the sole aridter of the witnesses who appear before him. Any legal representation of interested parties is at his discretion and their participation in the torial process is a privilege, not a procedural right. More important, statements and documents called for by the coroner from one interested party are not disclosable to another — eross-examina-tion of a witness by the legal representative of the victims families is like shooting in the dark. But then coroners law was never intended to facilitate the inquisitiveness of the deceased's relatives or indulge public curlosity. And there is rarely any need to extend the ambit of the jurisdiction of a coroner's court.

But cases that arouse instant public interest and intense media attention do demand a more expansive inquiry so as to satisfy a justifiable public demand to know, if not all, at least a good deal more than can be achieved from the unreasoned and perhaps unreasoning verdict of a coroner's jury. A full judicial inquiry would, unless its terms of reference were heavily circumscribed, penetrate any veil drawa over uncomfortable actions, and in its detailed report would lay bare all the material evidence and subject it to critical analysis. If there was to be any public scrutiny of those terrid events of March 6, the coroner's inquest in Gib-raliar provided the least potentially damaging injury to the Government's point of view. scaled off any embarrassment there might be from a wider judicial inquiry.

The coroner, Mr Felix Pizza-rello, commendably stretched the limits of his jurisdiction in



Gibraliar: its involvement in the IRA case was fortuitous

Avoiding a full judicial inquiry

Louis Blom-Cooper reflects on the Gibraltar inquest into the deaths of three IRA terrorists

his evident desire to demon-strate the thoroughness of his proceedings. But he could never elevate the status of a coroner's court beyond its limited, defined ferisdiction. Sit-ting in a colonial territory, his desire to hear evidence from Spanish police witnesses about Spanish surveillance (or lack of it) of the terrorists drive down the Costa del Sol was thwarfed by the politics over the colony's sovereignty.

A suspicious mind might conclude that the British Government gleefully accepted the Spanish Government's disinclination to allow any Spanish citizen to give evidence before the coroner which might thereby accord recognition to the colony's status - particu-larly since it was reported that the evidence was in conflict with that given by the SAS sol-diers involved in the operation.

If that was a happy coincidence it was another reason why the government was happy to leave any inquiry to a colonial coroner.

The attempt by the lawyer for the victims' families to persuade the coroner to dispense with a jury seemed odd. Although it was purportedly on the ground that publicity saturation rendered any juror incapable of coming to the case unbiased, the best hope for a verdict of unjustifiable killing would be from untutored good men and true. (All 11 of the jurors were male because qualifications for jury service for women in the colony is smach-ronistically restricted.) The coroner wrongly ruled that he had no discretion in the mat-ter. But he would have ordered a jury in any event, had he thought that he had any say. There was a deliberate move

also in Gibraltar not to enhance the status of the

The Chief Justice could have ordered the inquest to be conducted by a high court judge, but chose not to do so, as much for practical reasons as for any grounds of policy. Gibraltar in any event has only one high court judge. Everything was done to avoid, as far as possible, the inquest being conducted other than as a routine investigation of a cause of.

The case is likely to revive the recommendation of the Brodrick Report, as long ago as the early 1970s, that where there are peculiar features of a death that excite public interest there should be a power to remove the inquest from the coroner's court to a more suitable forum. The Scots have a method of dealing with such

cases by way of their fatal accidents legislation.

There would have been noth-

ing at all to prevent the Government from setting up a public inquiry to be held in the United Kingdom - nothing that is, other than an assess-ment of what might have been revealed beyond what could have been expected within the coroner's inquest.

Apart from satisfying demands for an uninhibited investigation there would have been other advantages. The inquiry would have attained a higher degree of thoroughness. simply because its jurisdiction would not have been trammelled by the law relating to coroners or to procedural rules. Its enhanced status would have carried a heightened public acceptance of its ultimate report and its find-

It would, moreover, have relieved the Gibraltarians of the disruption of their lives and the intense security arrangements imposed on them. After all, the tracking down of the IRA terrorists and their subsequent deaths were hardly of Gibraltar's making. The involvement of the tiny country was fortuitous.

The reporting of the actual shootings, the televisual attention during the months awaiting the inquest and the press coverage of that inquest, have thrown up a host of problems in media-government relations. The misinformation that emanated from Whitehall on that fateful evening last March, in contradiction to what was being locally reported which accurately revealed the absence of any explosives on the terrorists or in their aban-doned car, calls for some expla-

The methods used by TV programmes in advance of the inquest has attracted critical comment about the propriety of such media activity. Thames Television's inquiry by inde-pendent assessors will need to allay public suspicion that techniques which would be frowned on if practised by authorities of the state are being employed. Suspicions of checkbook journalism, of journalistic arm-twisting and of mischievous testimony from eye-witnesses featured during the months from March to Sep-

The coroner's jury's verdict of justifiable homicide operates to exonerate the SAS soldiers of any unlawfulness in what they did, and will stifle any reasonable call for further inquiry. But the political and legal arguments that have encompassed the Gibraltar inquest will assuredly rumble

Guilty policies what they are

By Samuel Brittan

ferent policy mix, with tighter

fiscal policy and lower interest rates, would help developing

too unsubtle to pinpoint.
Where do the banks come in?

"If the IMF and central banks

had not stepped in with rescue

Banks can surely

now be left to make

their own deals with

sovereign borrowers

packages there would have been more debt forgiveness,

but more defaults and more

bankruptcies by financial insti-tutions." The implication was

that this might have been

quite a good thing. The person

speaking was no demonstrator at all, but a top insider with strong free market leanings.

His words throw an interest-

ing light on Ten Misconceptions About the IMF. This is an

excellent Fund publication

which deserves to be better

known. But when it says that

the Fund does not bale out

and led debt packages since

1982. Of course the original

impetus (apart from US politi-

cal fears about Latin America

and above all Mexico) was the

fear that a collapse of major

banks would snowball into a

free market right and the radi-

The view - common to the

world depression.

The Fund has co-ordinated

banks, it is being legalistic.

visitor to Berlin during amount they receive in aid.

last week's Fund-Bank Arms Sales. It takes two to tango and Third World governments were rightly condemned by the IMF managing director not to be uneasy at what he witnessed. For instance, there Michel Camdessus for giving was the opportunity to hear arms priority over social needs. the world's best symphony But government heads such as Mrs Thatcher who promote orchestra playing music that deals like Britain's muchwas in its time revolutionary, vaunted film arms agreement with Malaysia have also somebut we had to go in behind lines of security police and posters accusing the IMF of thing to answer. Third World deaths and starva- Structural budget deficits. An undoubted effect of the US tion. Then, not far into East and other budget deficits is to raise real interest rates and Berlin, on the usual tourists' aunt, novices were startled to have to dodge goose-stepping troops parading outside the memorial to the unknown sol-dier. The Berlin where my inflate the costs of both debt service and new finance. A dif-

countries as well as investment has vanished beyond recall. I must resist the temptation in the industrial world. to speculate on matters Ger-All three major policy errors man and instead ask the ques-tion whether Western governhit consumers and citizens in the countries practising them ments have cause to be guilty as well as the Third World. They are promoted by special interest groups whom the more excitable demonstrators are

about Third World poverty.

We can certainly dismiss the crude attack of the International Counter Congress, also meeting in Berlin on capital-ism and all its works, with its insular appeal to countries to turn back from world markets and look inwards. If only Marx had been living to denounce this left wing infantllism as only he could. But at the other end of the opposition spectrum there were ideas which overlapped with those espoused within the IMF and World

father once studied medicine

For instance, the Develop-ment and Peace Foundation cited US and German bank-ruptcy law which could provide a model for sovereign debt. (Living With Sovereign Debtors: Development and Peace Foundation, Lauten-bergstr. 30, 5300 Bonn.)

But one does have to ask more searching questions. Contacts with world markets have enlarged opportunities in Third World countries. There are imponderable questions about the wider effects of contacts with Western values and technology. But it is more useful to cite three different kinds of policy, not of capitalism but of Western governments, which do hit the Third World.

 Protection. Studies cited by that well known radical dissident Nigel Lawson, at a demo known as the Development Committee, suggest that pro-tection costs developing coun-

cal left - that the banks, who fell overboard to offer their loans, should have been left to face the music, is attractive. But the risks to the world economy were probably too large and non bail-out stabilisation policies were too untried

to take the risk . Six years later, however, the banks have had ample opportunities to provide for bad debts and most have done so. They can surely be left to make their own deals with sovereign borrowers and let governments step back a bit.

Such settlements will involve massive debt writeoffs, however disguised. There was a memorable hospitality cruise on the Lake Wannsee when the redoubtable chairman of the Commerzbank, Walter Seipp, entertained his wardroom guests by thunder-ing: "I have not worked 16 hours a day for 40 years so that some Argentinian playboy can salt away money in Zurich."

He was neither more nor less moral than the more new look Alfred Herrhausen of the Deut-sche Bank, who has a more flexible stance. But Mr Herrhausen has on his side that deity beloved by Prussian phi-losophers, namely history.

There are, however, two missing elements in the plans both of the reformers within the Fund and Bank and the more respectable radicals. One is a recognition that if there are to be positive resource transfers to the developing countries, either the latter will have to become more attractive to private investors; or Western taxpayers will have to dip into their own pockets, as the Japanese seem willing to do. It cannot all be done just by making banks suffer so that we all have to pay for our own concert tickets at the next annual meeting.

Secondly, and even more important, excessive concentration on debt relief risks distracting attention from the internal reforms which middle income and poor countries will bave to undertake if they are to embark on self-sustaining growth. Write-offs there will have to be. But, as one finan-cial statesman at the centre of the whole debt effort remarked to me, these are at most a necessary and certainly not a sufficient condition for a real attack on the poverty of the

The trade deficit represents a supply side failure

Sir. Professor Maynard rejects my view that the trade. deficit represents a supply side failure (Letters, September 26). His missorume is that his letter was published on a day the British economy has been when the trade figures showed rapid recently — as it could not only a substantial overall—have been at any time that the

per cent below the level of last autumn. Whatever one may think of the import figures, this surely must be caused by supply side failure.

Of course the growth rate of not only a substantial overall have been at any time that the As many have suspected Henry Neuburger, deficit but expects running 7 Government chose to adopt an over the last eight years, the 21 Northcharch Road, NI

indicators of supply side suc-cess to which Professor May-nard refers, however, show that the British economy was able to produce with less labour, not that it could produce more.

expansionary fiscal policy. The "productivity miracle" has not survived into a period of rap-idly rising demand. The final test of a successful supply side policy is enhancing the total production of the economy, not its resources idle.

Objectives in total quality management training

Mr JH. Regardon's assertion (Letters, September 28) that the Crastick Institute of Technology and other UK organisa-tions provide world class man-agement training facilities. While we at British Telecom make extensive use of these facilities, in the increasingly competitive and international environment in winch we operate we need to draw on new

Tons in Colin Williams, techniques and experience framework, during the past. Sir, I have no argument with from the widest possible three years we have had excel-

in the case of our drive towards total quality manage-ment (TQM), in the early phases of the establishment of the process we drew heavily on the experience and ideas of a number of well-known and highly respected US gures — the people who "invented" total quality management. Having established a TOM

lent support from a number of British consultants and valuable input from one or two UK

business schools.

Quality management is a
new subject, not just for companies such as BT, but also for many European universities and business schools. A major objective of the European Foundation for Quality Management is to increase aware-

ness of its importance among those institutions. Two British universities now have chairs in quality management and both the Foundation and British Telecom will be encouraging all UK educational establishments to include this subject in their curricula. Colin Williams, Director, Quality and ent Systems,

Construction depends on a national framework of standards

Whilst the approach outlined by Mr Bartlett may appear if we are to compete on equal attractive to those industries terms with the workforce of

Prom Mr J.D. Morden.

Sir, Mr Alan Bartlett less variable than in construction in a more locally-led drive on training to meet skill short; sages. I would remind Mr Burtleit that the abject fafface of new techniques and cantral this approach before 1964 was registration are doomed to fail the major force behind the une Every effort must be made introduction of the Industrial mechanisms and the customer. scute and the level of skills "corner shop" approach is not good enough.

then, I can say with certain Because of the unique nature of the construction industry must influence the output. But where mobility of labour is less mainland Europe then the

there is a clear need for a strong central body able to co-ordinate the training of a tenth of the nation's skilled manpower. A move away from the present arrangements would undermine a major industry.
Such an industry cannot be serviced by a multitude of well-meaning but totally inappropriate community initia-tives. Construction needs a

long-term strategy which is designed around a national framework of operational stan-dards but is at the same time flexible enough in delivery to meet fluctuating demands, regional differences and com-pany needs. This strategy is well advanced and too radical a change could set the industry hack vet again. -

J.D. Maiden. Construction Industry Training 24-30 West Smithfield, EC1

Environment policies must be founded on technical knowledge' From Mr David R. Cope.

Sir, The force of your editorial ("Testing the ozone," September 30) will have been totally negated for anyone with a modicina of chemistry by the mention in the last paragraph of rain forests that mop up carbon dioxide from chemicals such as chlorofluoro carbons." This howler is unfortunate for there is much of value in your observations. It is also, however, indicative of a wider

problem.
If the environment, as the Prime Minister has argued, is to be one of the most pressing issues of the last decade of the 20th century, the debate on ple where a postulated rela-

adequate technical knowledge. There is clearly a need to upgrade the technical quality of environmental education, but the Prime Minister was also right to emphasise the vital role of scientific research. There is, of course, a resource allocation issue here about

which her message was less

For the industrial production process, one of the most critical issues will be the balance struck between action based on proven scientific causal relationships and action based on the so-called "foresight" princi-

policies must be founded on tionship is so dire in its consequences if proved true, that action is justified in advance of the proven relationship. The correct striking of this balance will again require technicallyinformed debate.

Your observations also underplay the role that the market could play in ensuring higher environmental standards at minimum cost. For example, in the field of air pollution, the recent EC agreement on emission from large combustion plants, coupled with the impending increase in the number of enterprises emitting significant quantities of suiphur and nitrogen oxides,

following electricity privatisation, offers a unique opportu-nity for some form of emission reduction trading between

In many other areas of environmental concern, such as rural development, the creation of market rights, perhaps vested in some form of Joe Rogaly's "gemeinschaft" groupings, offers a way of internalising some of the environmental externalities without involving the over-heavy hand of the state David R. Cope.

UK Centre for Economic and Empirormental Development, 12 Upper Belgrave Street, SW1

It used to take four to six years for pletely new fertilising technique for north- able: since we improved the drip, we've ways had this dream of faster and better

In co-operation with the Research Station for Fruit Growers in Holland, the drop, moisture and nutrients. In exactly

a fruit tree to produce fruit. And people al- west Europe. They call it 'fertigation'.

It uses the environmentally benign harvests. Now DSM, one of Europe's larg- drip irrigation system. The drip, however, improved tremendously. is fully soluble in water.

Thus the roots receive, drop by researchers at DSM have developed a com- the right amounts. The results are remark- if we don't have a solution, we find one.

been able to harvest at least a year earlier. And both the yield and the quality have

Fertigation is one of our technologies which is certainly bearing fruit.

DSM (S

To get our fruit trees to grow a lot faster, we improved the water drip.





FINANCIAL TIMES

Monday October 3 1988



Janet Bush on Wall Street

A healthy appetite for junk

AS DREXEL Burnham Lambert strives to maintain its reputation and minimise the risks of being found guilty of the Securities and Exchange Commission's insider trading charges or of a possible crimi-nal prosecution, its vision of a corporate America financed by

junk bonds remains intact.

Drezel's public relations and legal assault has been frenetic.

While television commercials have been running suggesting that the company helped find a cure for cancer, its attorneys have been working furiously to try and remove the tough Judge Pollack assigned to examine charges against Drexel by the SEC and shoot-ing off subpoenas seeking testimony from potential prosecution witness

True to his muscular reputation, the Judge last week went ahead without the US Attorney's office and blocked these apts to gather testimony.

None of these manoeuvrings seem to have affected investors' appetite for junk bonds or the willingness of company managements to finance highly-profitable leveraged buyouts using high-yield paper. Even the hint recently from

Representative John Dingell of the House Energy and Com-merce Committee that more charges could ensue after his committee's investigation of Drexel's activities in the junk bond area (not included in the SEC's mammoth charges) has not deterred them.

Mr Kenneth Urbaszewski, long-time manager of the high yield bond fund run by Kemper Financial Services of Chicago, says the charges against Drexel have not given the junk bond market "any black eyes."
In the first nine months of this year, the total invested in his fund has risen from \$500m to \$960m. Over the past three

who do not appear worried about the SEC v Drexel. The Kemper fund was ranked the top high-yield fund

weeks alone, another \$100m has poured in from investors

ranked the top high-yield fund last year by Lipper Analytical Services as well as the three years and five years ended December 31, 1987.

In the first eight months of this year, according to Lipper, Kemper's fund is down to 23rd in the rankings although still. in the rankings although still August, 1988.

Top of the list is the Executive Investors High Yield Fund run by First Investors Corp which is up 17.70 per cent. At the bottom of the group of 79 funds is the FBL Series run by Farm Bureau Mutual Funds of Des Moines, Iowa, which is up only 2.95 per cent measured by

At the moment, Mr Urbaszewski is about 70 per cent invested in junk bonds with the rest in a mix of high-grade bonds. Treasuries and cash the same proportion as last September, just before the

stock market crash. By December, the fund was again fully invested in high-yield bonds, testimony to their resilience despite the crisis on

the stock market.
The reason for the modestly defensive posture of the fund now is that Kemper believes yields on Treasuries are set to go higher, narrowing the spread between high-grade and low-grade bonds. Junk bonds tend to be less volatile than Treasury bonds.

Mr Urbaszewski sees the relation between junk bonds and Treasury bonds in terms of and Treasury bonds in terms of the race between the tortoise and the hare. "Treasury bonds (the hare) go in quick bursts but have to take breathers whereas junk bonds (the tor-toise) plod along but win in the end," he said. Strange, on the face of it, that racy junk bonds are here characterised as pedestrian performers.

Despite the risky reputation of junk bonds, he believes they are actually quite a safe investment as long as the companies which issue them are finan-cially sound. His team of credit analysts looks at each junk bond-issuing company in terms of how it will survive the inevi-

He says junk bonds tend to underperform higher-grade underperform higher-grade paper during a recession, not fall in price, and default rates are pretty low. He acknowledges that the current crop of leveraged buy-outs – largely financed by junk bonds – are probably more risky than those in the past and that companies are more bight leveraged.

are more highly leveraged.
However, he argues that the
extraordinarily high income derived from high yield funds leaves substantial room for the odd default. "If I didn't ever make any losses, my bosses would think I wasn't taking enough risk," he says cheerily.

Current favourite buys include the junk bonds issued by grocery stores: people go on buying basic food whether or not there is a recession.

Soviets lift obstacle to arms talks

By Judy Dempsey in Sofia

THE SOVIET Union has indicated willingness to withdraw its recently-stated demand that air-defence forces be excluded from East-West talks on conventional arms in

confirmed by senior Vienna-based diplomats, removes one of the last obstacles to the launching of so-called Conven-tional Stability Talks (CST), a disarmament forum grouping Nato and the Warsaw Pact. Mr Eduard Shevardnadze,

Soviet Foreign Minister, is reported to have explained Moscow's new position in talks in New York last week with his West German counterpart, Mr Hans-Dietrich Genscher. The Soviet demand that airdefence forces should be left out of the CST was first

advanced a month ago, to the dismay of Nato countries which rejected it out of hand.

British Labour leaders

are re-elected

A triumphant Neil Kinnock (left) and Roy Hattersley last night in the British conven-tion city of Blackpool, where they were re-elected as leader and deputy leader respectively of the Labour Party, the country's main opposition party. Their comfortable victories over left-wing opponents were widely expected and, although the reception from the delegates to the party's annual conference was warm, it was less enthusiastic than when the two men were originally elected five years ago, Mr Kin-nock described the vote as a "great victory." Page 9

The Western side wants the CST mandate to draw no dis-tinction between offensive and defensive aircraft; while Soviet officials were, until a few days ago, insisting that the talks should focus on offensive jets, a category of weapons in which it says Nato enjoys clear supe-

Last week Marshal Sergei

Akhromeyev, Soviet armed forces chief, suggested that Moscow might negotiate away its superiority in tanks and artillary in return for one-sided cuts in Nato's strike aircraft. Another obstacle to the CST was removed last week when both sides accepted a compromise formula over weapons systems with dual (conven-tional and nuclear) delivery which Nato wanted excluded. The Eastern bloc had sought to include them.

The only significant problem over the CST mandate yet out-

standing relates to the defini-tion of the geographical zone covered by the negotiations. Nato wants part of Turkey, particularly those areas border-ing Iran and Iraq, to be excluded; the Warsaw Pact has excinited; the warsaw Fact has countered that part of the Soviet Caucasus should be left out. Western diplomats seem increasingly confident that the Soviet side will back down over this question.

Differences have also non-

Differences have also nar-rowed in the related 35-nation meeting of the Conference on Security and Co-operation in Europe (CSCE), which must be completed before the CST can

The CSCE talks cover human rights and economic co-operation as well as arms All CSCE participants excep

Romania agreed last week on an important text on religious

But diplomats say there are still several stumbing blocks at the CSCE. One is over a Soviet proposal that Moscow should host a follow-up meeting on human rights; several Western countries, particularly the US, Britain and Canada are cool on the idea because they feel the Soviet Union has not done enough in human rights. There is also disagreement

on Western proposals for a mechanism to monitor human rights on a more regular basis. Nevertheless, several West-ern diplomats say they detect a sense of urgency among War-saw Pact delegations at the CSCE, prompted by the onset of US presidential elections.

The communist states appear uneasy about prolonging the Vienna meeting beyond November because it would entail dealing with another administration in Washington



Heads of state strive for change in Africa

By Michael Holman, Africa Editor, in London

FIVE AFRICAN leaders are to meet in the Zambian capital of Lusaka on Thursday as part of internationally backed diplomatic efforts to bring independence to Namibia, end the war in Angola, and help create a climate for change in South Africa itself.

In a related development, General Olusegun Obasanjo, the former Nigerian head of state, is expected to leave London today for the Angolan capital of Luanda to continue an initiative endorsed by leading African states, and de persuade the Angolan Govern-ment and the Unita rebel movement to resolve their differences at the conference

Three separate but interlocking initiatives are under way.

The US is chairing negotiations for the implementation of a UN settlement plan for Nami-bia, presently controlled by South Africa. At the same time African states are trying to persuade the Angolan Govern-ment and Unita to end their 13-year conflict. And President P. W. Botha of South Africa is conducting a series of forays into black Africa intended to cement non-aggression pacts with South Africa's neighbours, initiate greater economic co-operation, and con-vince sceptical black leaders that apartheid is being disman-

It is becoming clear that Nigeria, which will send an observer to the Lusaka summit of leaders from Angola, Congo, Gabon, Zaire and Zambia, is playing an increasingly important role in the region. Mr Chester Crocker, the US Assistant Secretary of State for Africa, who is chairing the Namibia talks, briefed President Ibrahim Babangida at the weekend on the current state

of negotiations. General Obasanjo, an unoffi-

cial roving ambassador who was cochairman of the Commonwealth eminent persons group which visited South Africa in 1986, is expected to see Sir Geoffrey Howe, the British Foreign Secretary before he leaves.

before he leaves.

Mrs Margaret Thatcher, the
British Prime Minister, discussed recent developments
with President Robert-Mugabe on Saturday, when the Zimbabwe leader stopped in London on his way home from the UN General Assembly.

The meeting in Lusaka fol-lows talks in Zaire at the week-end between President Mobutu Sese Seko and President Botha, on his third visit to a black African state in less than a month. A joint communique said

that the two men had dis-cussed the release of Mr Nel-son Mandela, the jailed leader of the African National Congress, possible clemency for

the Sharpeville Six, five men and a woman sentenced to death for their part in town-ship killing in 1984, as well the US-chaired negotiations between Angola, Cuba and South Africa for independence in Namibia and the withdrawal of Cuban troops from Angola.

Mr Mobutu said he had accepted an invitation to visit South Africa at a date yet to be

The Namibia talks, due to resume shortly, was the sub-ject of a separate meeting at the weeked between the presidents of Angola, Gabon and Congo, held in Gabon. One of the main obstacles to

ful for the interest Mr Alan Bond and Mr Robert Maxwell have been showing in their access is the wide difference between South Africa and Angola over the timetable for a spective organisations, but it is far from clear that the share-holders of Bond Corporation or Cuban withdrawal. The US, which has the backing of the Soviet Union for its peace ini-tiative, is reported to have put Maxwell Communications will be equally well satisfied if these latest bits of corporate forward a compromise period of two years.

NTT test the Tokyo line

It is a gristy coincidence that the pricing of the third chunk of Niopon Telegraph and Tele-phone (NTT) should fall on Share price relative to the Toloro New SE Index October 19. For foreign broken especially, who are underwriting close to film of the filmphus issue, signing on the line in Tokyo will not be made any easier by wondering how Wall Street will choose to celebrate its anniversary later in the day. To be sure, the chances of a BP-type disaster are remote. By contrast with the previous two instalments, private inves-tors are expected to stay away in droves, leaving the field to in circues, leaving the nam to institutions who can be persuaded to bite the bullet should things go wrong.

All the same, it will be a ticklish fusiness; and despite the desire of the Japanese Sep 187 1988 empire building are successful. Mr Maxwell does not go in for quite the same scale of self-pro-

authorities to avoid the su

in the naive sense automatic

a touch above Y2m - which is at least an advance on the

crude average of Y1.87m they paid for the first two issues.

higher prices; but that has lately been under pressure anyway, particularly from Jap-

enswer in isolation. NTT is like

e, the tiny yield, the suppos-edly enormous real estate assets, the promise of develop-

ing into exciting but unspecified new areas. If you buy the argument for the market, you

can buy it for NTT. Or not, as

Shareholders in Allied-Lyons

and Macmillan should be grate-

the case may be.

Entrepreneurs

building his own university—but his global business ambitions are equally grand, and his shares—yielding 10 tion of price-rigging, NTT looks like being the most important single influence on the Tokyo per cent plus - are almost as lowly rated. Both men are extreme exammarket over the next three weeks. Although the pricing is es of an unorthodox style of - a 3.5 per cent discount to the October 19 market price - if is business operator, that has never found much favour with made doubly sensitive by the fact that the first chunk at Y1.2m a share was plainly too cheap, the second at Y2.56m too desr. Barring accidents, the result this time looks set to be institutional investors. Mr Rupert Murdoch and Mr Tiny Rowland would probably fall four have built their compa-nies into sizeable international corporations, own a substantial chunk of the equity and run them like a personal fieldom. Mr Murdoch and Mr Bond are It all drives a coach and horses through the Japanese tradition of bringing issues to the market at successively impulsive and highly geared while Mr Rowland is equally unpredictable and appears to spend a considerable amount. of his time plotting how to get even with the Egyptian-born Al Fayed brothers. This does answey, particularly from sap-anese banks tapping the mar-ket to meet the new rules on capital adequacy. This leaves aside the question of whether NTT is remotely worth Y2m a share. But that is hard to not sound a very defensible sort of strategy but over the long term investors in both Lonrho, Bond Corporation and News Corporation would have handsomely outperformed the a distorting mirror for the Jap-anese market as a whole show-ing its features in grotesquely magnified detail — the huge p/

motion as Mr Bond - who is

There is an attraction about investing in a company where the management holds a substantial stake. It should mean that the management's interests are far more closely fied to those of its shareholders, and curb any appetite for frequent rights issues. The Lendon clearing banks, for example, might not have wasted to much of their shareholder's money over the years if the personal wealth of the top Investors in both Trade Development Bank and Republic New York Corporation have probably benefited since a large part of Mr Edmond Safra's own fortune was tied up in these banks. The fact that Mr Acil Nationardly expectations Asil Nadir recently spent close to 55m on increasing his stake in Polly Peck International. from 25 per cent to 26 per cent must say something about his

Indeed, there are plenty of companies with dominant shareholders ranging from the Smartaners ranging from the New York Times Company in the US to Flat in Raly and Amstrad in England, where investors have been well

However, there are plenty of contrary examples. Mr Homes a Court's Bell Group, which had to be rescued by Hond Corporation after last year's stock market crash, is a classic case where the company ever-extended itself notwithstanding the chief executive's own very substantial financial involvement. There are also several less dramatic cases where companies with a dominant shareholder have simply underperformed the market over a long period. Maxwell Communicaperiod. Maxwell Communica-tions shares have fallen by almost 50 per cent over the past year and, based on Datastream statistics, its relative performance is below average on a three, five and 10-ye record. Another consistent underperformer is Great Uni-versal Stores, and while the dismal stock market perfor-mance of Storehouse will come as no surprise, Sainsbury's stock market record does not match its blue chip image.

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The disadavantages of investing in companies controlled by dominant individuals, or families, are various, but the most obvious concern is that investors have little influence if the company runs into trouble. Entreprensurs such as Mr Maxwell, Mr Bond and Mr Murdoch are never going to be werried about being taken over - the ultimate sanction for a badly run company - and there is always the question of whether the next generation of family managers will be as capable as the current generation. Meanwhile, investors in some of Mr Bond's affiliated companies, such as North Kalgurif Mines, have North Kalgurit mines, nave-been made all too well aware of his willingness to issue new paper-to-finance his ambition of becoming a global player in the gold mining industry. Although there are plenty of particular for minority share-holders, there is always a con-carn that beyond a certain

cern that beyond a certain level a wealthy management maximising shareholder returns and more interested in enjoying a powerful position on the corporate stage. This can sometimes work to share-holders' advantage over the long term but the lowly stock market rating accorded to the shares of many of these companies suggests that the risk reward ratio is considerably

Ripples spread across Eastern Europe

since the 1950s, has insulated the status quo from any radical

Thus it was with relief from among this generation, that Mr Boris Yeltsin, the outspoken party boss in Moscow, was sacked late last year. But Mr Yeltsin, as much as

Mr Gorbachev, provided a bea-con of light for the younger generation of Bulgarian party members. Exposed to lengthy daily bursts of Soviet television which is available to most of the population, they saw the spirit of "glasnost" or openness abroad in the Soviet Union.

Besides being encouraged, they here became contraled.

they became acutely aware that the Soviet Union was going beyond anything the Bulgarian leadership had pre-viously introduced.

But when they tried to press ahead with a more open and liberal media, the old "Chavdar guard dug in. In an eventful central committee plenum last July, Mr Chudomir Aleksandrov, the economic pragmatist responsi-ble for party policy, was uncer-

emoniously sacked.

But recent events in the Soviet Union may well force a re-think about the direction

Bulgaria is taking. A central committee plenum is planned later this month which, among other things, will focus on agri-culture, a sector which in recent years has proved less than satisfactory. The situation in Prague is

just as nebulous, Mr Milos Jakes, who took over as party leader last December, shows little committeent to reform.

So far, he has not cut the dead wood from the politiburo or the central committee. And as in Sofia, he is not in a position to do so because he owes his power base to the status

Again, as in Bulgaria, any serious consideration of reforms would require a thorough reappraisal of previous policies. Neither leadership is prepared to undertake this because it would entail the questioning, if not the under-mining their own "legitimacy." But with the final break in the link with the Brezhnev era, the leadership in Prague will now be forced to deal directly with the Gorbachev "adminis-

And it could mean that in time. Mr Jakes may be required by Moscow to provide

WORLD WEATHER

substance to his renderings of lip-service to glasnost and restroika.

East Germany, under Mr Erich Honecker who has recently returned from a visit to the Soviet Union, will also have to take stock.

Mr Honecker owes his posi-tion to the late Mr Brezhnev who promoted him as leader in 1971 and has been less than keen to undertake social and economic reforms, even though there has been recent signs of pressure from within the rul-ing Socialist Unity Party (SED) to introduce structural

Some of the pressure apparsome of the pressure apparantly came from Mr Werner Felke, the successful central committee secretary for agriculture. He went as far as mooting the idea of East Germany joining the IMF and the World Bank.

His sydden deeth lest month

His sudden death last month robbed the SED of a potential reformer and even a possible successor to Mr Honecker. For Romania's Mr Nicolae Ceausescu, the sweeping changes in Moscow do not bode well Mr Gorbachev has been more than patient with his mayerick and Statinist-style neighbour. Moscow has cau-tiously tried to cool the tensions between Romania and Hungary over the treatment of the Hungarian ethnic minori-

But Soviet diplomats say that Mr Gorbachev is not pre-pared to interfere in Romania, even though Mr Ceausescu is an unattractive, if not negative advertisement for socialism. "Like everybody else, we continue to wait ..." was how one Russian diplomat put

But without Mr Gromyko

and Mr Demichev, Mr Cean-sescu now has few people to turn to in Moscow where he is due to visit this month. The closing of the Brezinev

era thus poses uncomfortable questions for some of the East European leaderships.

It does not mean that Mr Gorbachev himself will now immediately turn his attention to Eastern Europe. He faces enough problems at home.

It does, however, mean that while the period of uncertainty concerning Mr Gorbachev's future seems over, the period of uncertainty in Eastern Europe has just begun.

Coffee quotas agreed

Continued from Page 1

biggest world producers, had proposed a quota of 54m bags, which would rise to a possible 58m bags if prices started to rise. But the US, the world's higgest consumer, was propos-ing a quota of just over som bags, which would be reduced if prices remained low. Consumers have been wor-

ried by the premium being fetched in the market for qual-ity mild arabica coffees over

isu and US proposals. In the first quarter (October-December), the agreed 56m bag quota will be revised upwards by im hags on October 25 if the ICO 15-day average indicator price, which is used to set the level of prices being defended, is above the level it was last Friday. A similar increase could be trig-gered 15 working days later.

less prized robusts coffees.

The final agreement takes elements from both the Brazil-

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FINANCIAL TIMES SURVEY



The fall in oil prices has dealt a heavy blow to the economy of Trinidad and Tobago. Tim Coone

looks at why things went wrong and the efforts being made to restore the fortunes of the Caribbean islands

A troubled economy

TRINIDAD and Tobago have the fortune that the hurricanes that sweep through the Caribhean every summer have so far not hit with their full fury. The seems to pass to the north of the country's two main islands.

Prime Minister Mr A.N.R.Robinson, has however, given a storm warning, doing so in the knowledge that tur-moil of a different, kind is on-For this Caribbean nation's

economy is in trouble and he is now urgently looking for for-eign investors and bankers to help finance a recovery before a decline turns into a free fall. An austerity-cum investment plan has been prepared which will be politically unpopular at home. If it falls, he can expect criticism, and political he aches ahead.

Mr Robinson set off on a

ek European tour last month for talks on restructuring the country's \$1.5bn (£893m) foreign debt, accompa-nied by the news that the nation's foreign exchange reserves are exhausted and a quabble within his National Alliance for Reconstruction (NAR) is threatening to tear the broad-based party apart. He ignored calls to abandon

his visit saying: "I could stay at home, but none of the vital

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Hasia.

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issues would be attended to. We are proposing a realistic programme for Trinidad and

hold meetings with the Mrs Margaret Thatcher, the Prime Minister and with creditor bank executives and during which he will lay out his pro-posals to obtain a debt reschednling agreement and an IMF

standby loan.

Trinidad and Tobago is no longer the affluent jewel of the Caribbean that it was in the islands' population of 1.3m. to Mr Winston Dookeran, the Planning Minister and people are finding the new economic

reality hard to take. exchange crisis is severe. Reserves fell at the end of June to \$20mr.dess them sufficient for one week of imports. Many companies have gone on to are laying off emp one of the national airline's let help pay public employees and

l'obago's survival." Mr Robinson's tour ends this

week in the UK, where he is to

the pineline.

Mr. William Demas, the Cen-

tral Bank president told repre-

sector last month that the for-

eign exchange situation "has

-About \$2bn was sunk into the Point Lisas industrial com-

plex during the boom.

igned to use local natural

Today those industries are

sentatives from the the priva

never been worse".

So what went wrong?

1970s and early 1980s when oil prices source bringing a bonance of wealth to the The subsequent collapse in dis-prices has produced a 30 per cent fall in real incomes over past four years according

gas supplies, urea, ammonia, and methanoi plants were built The current foreign together with an iron and steel complex, and all aimed at the export market. running heavy losses due to a combination of world over-prothree day working weeks and duction, low prices and heavy loyees. The finance charges to pay for conernment even mortgaged Tax income and savings from the oil sector also helped finance rapid development of

Trinidad and Tobago to inject some foreign exchange into the Central social services and fuelled a boom in commerce. So much Bank. Two further aircraft so that traditional areas of the economy such as agriculture, became neglected. Now 70 per leaseback arrangements are in

> With the fall in oil income, the structural weaknesses of the economy and its over-de-pendence on oil became all too apparent.

cent of the islands' food is

The government's immediate plan is to rationalise govern-ment spending, redirecting current expenditure on wages towards new investment, especially in the energy sector where output has been falling. In the longer term, diversification is to be encouraged with export-led growth through

investment in agriculture, tourism and down-stream pet-One of Mr Robinson's targets is to obtain 56 per cent of a three-year \$3.6bn state invest

is what he believes will be necessary to turn round the econ-

omy.
The other 44 per cent is to come from divestment of stateowned enterprises. The telephone company is the first in line and talks are expected in London this week.

Also planned are major lay-offs in the over-extended public

Meanwhile, a recent 30 per cent devaluation of the currency was a further measure designed to create a favourable atmosphere at the IMF and creditor bank discussions

However, as with all IMF agreements, intense political opposition is stirred at home, and Trinidad is no exception. Food prices have been predictably hard hit by the devaluation, causing discontent. Mr. Robinson is being criticised for leaving it until the final hour to begin talks with the IMF, a move he originally opposed

With reserves exhausted, his egotiating stance is accordingly weakened. His reply is that it has taken until now to work out Trinidad's own economic proposals. To start nego-tiations without a plan he said leaves only the Fund's proposals on the table".

Unemployment is already 21 per cent of the 500,000 workforce, and can be expected to increase substantially over the coming year as adjustment plans take effect.

Mr Dookeran admits that the initial thrust of new state and private investment, directed at capital-intensive energy-based projects, will not ease the unemployment problem. He said: "Activity in the other more labour-intensive sectors will begin if we can start growth in the key energy sec-

Mr Robinson has an optimistic time-frame "In 18 months

CONTENTS

Premier

Oil: Price fall deals a crippling

Tobago: The Cinderella island Divestment: Urgent moves are

overseas trade missions, the forward distribution centres?

"We have the high technology but we lack the basics. Some people still seem to believe that oil will come gushing out of the sewers at \$30 a barrel and save us".

The ability of the govern-ment to tap and mobilise the financial resources necessary to restructure the economy along less oil-dependent lines. will be its real test in future. It will be the test of Mr Robinson as Prime Minister and as a political leader if he can keep his nerve, without letting the tensions spiral into violence as unpopular economic measuresstir waves of unrest in this hitherto peaceable society. The ultimate goal is diversification and according to Mr Dockeran The economic map of the country will look very different in 10 years' time if we succeed in getting the resources" he

If they fail, enough economic headaches lay ahead to give the country a bumpy ride. Some are nervously aware of the fact that it was economic hardship in tiny Grenada just 100 miles to the north that was the catalyst for revolution and invasion less than a decade

ago. That experience demonstrated that Trinidad and Tobago's location at the mouth of the Caribbean, and astride major reserves of gas and oil make it a country of strategic interest, and not just to super-power politicians. Lying just a dozen miles off the South American mainland, the country is finding itself host to a disturbing growth in drugs traffic to the US, as are most of its neighbours in the eastern Caribbean island chain. There are inevitable nagging fears that this traffic could generate corruption.

The country's problems thus provide an interesting litmus of how economic troubles common to many countries in the Caribbean can be tackled. If Trinidad and Tobago, with its underlying wealth and political stability, cannot deal effectively with the recent steep deterioration in its economic position, then the prospects are grim for other Caribbean nations that are less fortunately endowed.

ment programme from new overseas loans. Together with

ADVERTISEMENT



Message by the Hon. A. N. R. Robinson, Prime Minister of Trinidad and Tobago

The publication of this Special Survey on Trinidad and Tobago is well-timed, as the new administration in Trinidad and Tobago takes on the challenge of economic transformation and adopts creative experiments in re-structuring the economy and the political system.

Liberal parliamentary democracy based on the Westminister model, an independent judiciary and a free press, are firmly entrenched in Trinidad and Tobago. A smooth transition of power has been effected following the December, 1986 General Elections which marked the end of 30 years of continuous rule by one political party. The transition has been managed in a uniquely peaceful and constitutional manner at a time of severe economic contraction and financial constraint, following the substantial petro-dollar windfall engineered by the OPEC cartel.

The new Government is adopting measures to diversify the economy, broaden its productive base and to create an environment which is conductive to entrepreneurship and innovation, it aims to reverse current declining trends in output and employment levels.

In a bold experiment in government, a series of tri-sector advisory bodies representing business, labour and government have been setup to chart the country's development path. This move is aimed at containing and transforming the adversarial relationships which are all too common in post-colonial societies. The move has been accompanied by other creative modes of co-operation in a process of consensus-building.

Four priority areas have been identified for medium-term investment targets. These are: energy, which remains the major revenue and foreign-exchange earner while the diversification programme is intensified: agriculture, which is crucial for import substitution and employment generation; tourism, which has potential for foreign exchange earnings; the services sector generally, and manufacturing.

Our rich and diverse cultural expressions in literature, music, song, arts and craft and culinary blends have shown potential for profit-

An export oriented manufacturing sector is the core of the outward-looking approach to economic development which is being adopted. New measures are being added to existing benefits to stimulate activity in this sector - one of the most recent being an exchange rate realignment from TT\$3.60 - US\$1.00 to TT\$4.25 -US\$1.00. This move is expected to assist the manufacturing sector to retain a competitive edge on export markets, as well as to increase the attractiveness of the tourism sector.

Commercial attachés are being placed at overseas missions to facilitate trade and procure new business for domestic exporters. The Export Development Corporation has moved to install instruments in support of the manufacturing sector. These include a State Export Trading Company, a Market Development Grants Scheme, overseas distribution centres in selected geographical locations, and export oriented cottage industries.

Trinidad and Tobago has traditionally adopted a mixed economy of private and public sector initiatives. Consequently, the rights of private investors have always been safeguarded. During the boom years, the Government assumed the role of prime mover and investor and established several large-scale, capital intensive industries in such areas as fertilizers, iron and steel, methanol and urea. Greater emphasis is now being placed on private initiative and private investment,including direct foreign investment.

The Government has also embarked on an extensive restructuring of the State Enterprises, including divestment and joint venture arrangements where appropriate, allowing for greater distribution of ownership and widening the scope of participation in economic

Considerable opportunities for investment exist in light manufacturing, petrochemicals and energy-based industries. Priority is being given to those enterprises which earn foreign exchange, create a significant number of new jobs, make efficient use of local raw materials, offer prospects for further expansion and facilitate the adoption of modern technologies.

Under the Trinidad and Tobago Economic Free Zone Act of 1988, provision has been made for income tax holidays; duty free importation of machinery, equipment and raw materials; repatriation of capital and profit, and operating in a currency of the investor's choice, once it is freely exchangeable on the open market.

The Point Lisas Industrial Park which accommodates the free zone area, offers access to substantial natural gas reserves at competitive prices; infrastructural amenities and a sheltered deep water

Potential foreign investors also stand to benefit from the availability of a highlytrained population with a literacy rate of over 98 percent and a wide range of skills, including specialist skills in all major disciplines. The country's physical infrastructure is well-developed and complemented by an extensive support service network including banking and finance, commerce and communications, transport and port facilities.



we will be through the worst"

he said. The government is clearly hoping that new private

investment, both foreign and

domestic, will take up the unemployment slack created

by the government's own rationalisation plans. In this

context, plans for developing

new offshore manufacturing

facilities, in a duty-free export

processing zone (EPZ), are being eagerly promoted by the private sector and are being

equally resisted by the trade

unions which fear the creation

of "sweat-shop" industries.

Mr Oscar Alonso, the chief executive of the Export Devel-

opment Corporation, a govern-

ment-funded body which boasts one of the most advanced trade information

centres in the Caribbean,

believes that Trinidad can be

competitive in non-oil exports

and that the EPZ is the way to

infrastructure. Where are the

He said: "We still lack the

The Republic enjoys a strategic position at the cross-roads of the Americas. Preferential access is available to the United States and Canadian markets under the Caribbean Basin Initiative and CARIB-CAN, and to European markets through Lome 111. Trinidad and Tobago has also acceeded to the Giobal System of Trade Preferences, under which some 48 developing countries will seek to target each other's markets for products traditionally and indiscriminately imported from industrialised countries.

While the nation remains determined to ensure the widest possible participation by its nationals in the econmy, we fully. recognise and make provision for the crucial supportive role which foreign investment must play in the process. As stated in ourinvestment policy: "Government welcomes foreign investment as a means of widening the productive base of the economy; strengthening the technical, marketing and productive expertise of nationals of the Republic and expanding output.

Our current difficulty notwithstanding, we are confident that Trinidad and Tobago will soon resume a path of self-sustained growth and of dynamic and creative social development.

a.n. R. Ravin

FRIME MINISTER

The Hon. A. N. E. Robinson.

The Prime Minister's Office, Whitehall, Port of Spain. Trinidad.

ship but not the rank and file".

Mr Panday is confident of winning the six seats should by elections be held, as they are all in solid Indian constituencies, but he doubts that Mr Robinson will risk calling by elections for fear of what the results might show. Mr Panday says he is also likely to allow

Mr Patrick Manning, of the PNM, to remain as formal leader of the opposition, a posi-tion Mr Panday would be enti-

tled to with his six seats, in

order to leave the door open to

Mr Manning though is dis-missive of coalition politics: "Not in my lifetime" be said,

even though the social demo-crat type policies he espouses are broadly similar to those of

Mr Panday however is con-vinced that the future political

panorama of Trinidad and Tobago will be one of coalition governments, as he thinks no

single party will be able to win

an absolute majority and he is prepared to await the next

To the left of the main par-ties, attempts are meanwhile

being made to revive a Trini-

dad and Tobago Labour Party, the effort being led by the CPTU. If they succeed they will

probably draw in the more radical elements, such as the out-spoken Ms Merle Hodge, who

worked in the government of Mr Maurice Bishop in neigh-

bouring Grenada and recently led an impassioned attack

led an impassioned attack upon the proposal to establish Export Processing Zones in Trinidad. In spite of her past, she is not a proponent of violent opposition though. She said: "It would be counter-productive although that is not to

ductive although that is not to

say the situation won't come to

Mr Tewarl of the NAR is also

aware of the dangers. "There is

transformation and social

unrest", he said. If it should

slide to the latter, the NAR's

inexperience and internal weaknesses make the future unpredictable. It will be the

test of Mr Robinson's leader-ship and also of the leaders of

the opposition to steer what-

ever conflicts emerge towards

their democratic solution rather than authoritarian alter-

Tim Coone

ctions in 1991.

MrPanday.

future coalition government.

A testing time for premier

THE TASK of Prime Minister in Trinidad and Tobago would the post now.

For the present occupant, Mr A.N.R.Robinson, the task is even more thankless however. For he is in the process of implementing a package of austerity and rationalisation measures as part of a broader economic recovery plan, with a divided party behind him, a ce of racial under tones in local politics, and facing a vociferous opposition which is waiting to hoot and rail at every error and setback

Trouble was in store for his party from the moment it was formed into the National Alli-ance for Reconstruction (NAR). A loose broad-based alliance, it came together for the purposes of the 1986 elections, to chalenge the control over government that the People's National Movement (PNM) had exercised since self-rule was introduced in 1956 and follow-

ing independence in 1962.

Various factors led to the ultimate defeat of the PNM, among them the death of its charismatic leader Dr Eric Williams, the party infighting sub waste and corruption in government that the party came to be associated with. However one of the major planks of the NAR's platform was to cross the racial divide. The PNM was widely seen as the party of those of black African descent, and whose occupations have tended to concentrate in the service and state sector. The community of East Indian descent, which at 40 per cent of the population is numerically now the same size as the African but has tended to predominate in agriculture and commerce but until now has had little say in government. (The small community of European descent has quietly held the reins of industrial and finan-cial power within the country, but has remained on the sidelines of Trinidad politics since

The NAR was formed from four factions - the Organisation of National Reconstruction, a conservative-centrist party, Mr Robinson's small Democratic Action Congress from Tobago, the United Labour Front led by Mr Basdeo Panday with the nity and sugar workers, and a. left of centre grouping, The Tapia House movement led by Mr Lloyd Best.
The landslide victory the

NAR obtained in the 1986 elections, sweeping the PNM out of all but three of the 36 seats in the House of Assembly, was a damning indictment of the PNM and an indication that the islands were ready for more racially harmonious poli-

The groupings within the NAR alliance abandoned their former party structures to become a unified party, but the factions re-emerged soon after coming to office. The manifesto of the party was broad ranging and in parts contradictory, attempting to offer everything from social justice and expan ded welfare programmes through to faster industrial growth and development and a more dynamic role for the private sector. At the same tin promised to give the Indian community equal representation within the government.

Both were in the inner circle of the NAR and left because they felt their views were

Given the breadth of the ideological spectrum within the NAR, the contradictory interests and the strong per-sonalities involved solits were

Given the breadth of the ideological spectrum within the NAR, and the strong personalities

The first split was that of Mr Best, when it became clear that the welfare programmes were not to get the same priority as private sector stimuli.

The second and a more serious split is about to take place with Mr Panday. He said: "We calculated that on the various managing boards in the public sector Indians occupied only 4 per cent of posts in 1986." He addded that they had succeeded in changing that to 22 per cent, but that a Cabinet rebellion led by him earlier in the year has resulted in all of them being sacked.

Mr Panday along with five

other leaders were suspended from the party in May this year. He and his supporters are now planning the formation of a new party, but organised on ground from under the NAR.

Mr Bhoe Tewari, the secre tary general of the NAR, criticises Mr Panday for being too hasty to change the ethnic make-up of government. "If you move too fast you cause deeper problems than the ones you are trying to solve", he

The differences went further

is identified with the left of the party, and as leader of the Sugar Workers' Union, a sector that is facing large-scale cutbacks and unemployment under the government's pres-

Both he and Mr Best of the Tapia movement also accuse Mr Robinson of baving an antocratic style of government. According to Mr Panday: "He is a prime minister without a political base, but who is try-ing to create one through

being ignored.

The government's isolation has been further aggravated though by the Progressive

involved, splits were inevitable

Trade Unions Congress (CPTU) decision to abandon the National Planning Committee last month. They also argued that that their views were being ignored. Most of the centrist and left figures that for-merly supported the governor were involved in formal negotiations with it, are now in open opposition. The question is thus whether Mr Robinson can continue to exercise authority as party and government leader with a much-narrowed base of sup-

On the positive side, party cadres can now concentrate on consolidating what remains of the NAR, instead of attempting to reconcile what proved to be irreconcilable positions within Most importantly, Mr Robin-

son can continue to bank on a workable majority within the House of Assembly, even should Mr Panday and five other representatives cross the floor, which now seems proba-

The ONR block within the party have so far remained faithful although Mr Panday says "Robinson has the leaderProfile: A.N.R.Robinson, Prime Minister and Finance Minister

An administrator with talent

Tobago today is not an easy task, and could be a thankless one. But Mr A.N.R.Robinson, the Prime Minister and Finance Minister, believes there is in his compatriots, sufficient understanding of the country's economic problems.

"There will be hardships", hesays of the austerity which he will be forced to implement

in the next few months. "These hardships will be overcome." Mr Robinson's optimism recalls his attitude to the chances of his National Alliance for Reconstruction on the eve of a general election in

Many - and not only cynics -were unimpressed by his prom-ise to hand a heavy defeat to the People's National Move-ment which had formed the

"He is really a talented ing businessman who cond to being a supporter of Mr Robinson's party. "But there is a danger of him being overwhelmed by the nature of the economic problems while struggling with the rift in the



One faction of the party, led by former ministers, is rebel-ling against Mr Robinson's leadership.

change of government for 30 years, Mr Robinson was not short of experience in government when his party won the Although there had been no election just less than two

become deputy political leader of the party, and finance minister and foreign affairs minister when he resigned in 1970. The resignation followed many differences with Dr Eric Williams the then Prime Minister and

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party leader. A lawyer, aged 62, Mr Robin admitting only to moderation and practical policies to deal with Trinfdad and Tobago's

political and economic circum

Dapper and somewhat self-effacing, Mr Robinson might not immediately suggest that he has what is accepted as typical of most successful Caribbean politicians - vote catching cha-risma, backed by harangue and bombast at the hustings. But his detractors and supporters agree that underneath he is

tougher than appears. Given the problems with which he is grappling, how-ever, Mr Robinson's place in Frinidad and Tobago's political history could be determined by the strength he displays is finding firm ground in the economic ouicksand.

Canute

PROFILE: PATRICK MANNING

Learning a lesson from poll defeat

AFTER 15 years in government, Mr Patrick Manning is pleasantly surprised by

"Opposition politics is far more interesting than I though it would be," says the leader of the People's National Move-

"I have learned a lot about the role of an opposition in a democracy. It is of more than muisance value. It can keen a government on its toes, and we have done much better than the government anticipated."

In addition to keeping the government on its toes, the 43year old Mr Manning is spend-ing time rebuilding the ranks of the PNM - a job which diplo-mats in Port of Spain say he is

doing successfully.

The constituency parties were left in disarray after a humiliating defeat in 1986 by the National Alliance for Reconstruction, ending three decades of government by the PNM. Mr Manning is, by aca-

Moving from a job with a local oil company into active politics only two years after leaving university, he says, was a conscious decision.
"It was while I was a geologist working with the oil com-pany that I was approached by

"Opposition politics is far more interesting than I though it would be...it is more than just nuisance value

the constituency of which my father had been the first chair-man," he recalls. "I turned them down, but later Eric Williams spoke to me, and in 1971 I decided to go into politics. I have no regrets today about that decision."

Dr Williams, the founder of the PNM, a nationalist and the the PNM, a nationalist and the man who presided over Trinidad and Tobago's transition from acolony to an independent state, "is the person who has most influenced my political thought," Mr Manning says. "When I was a young boy my father took me to meetings held by Eric Williams."

Mr Manning is the member of parliament for the San Fernando East constituency, and one of the three of the PNM candidates who managed to

candidates who managed to hold on to a seat in the face of the NAR victory in 1986. It was the third time he successfully defended his seat since being elected in 1971. In the 15 years he spent on the government benches, Mr Manning gained wide experience in government. As a parliamentary secment. As a parametriary sec-retary between 1971 and 1978, he served in the energy minis-try, the prime minister's office, the planning and development ministry, the industry and commerce ministry and works,

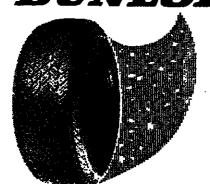
communications and transport. In 1978 he was made a junior minister for finance, and subsequently changed portfolios to have responsibility for infor-mation in the Prime Minister's office. Three years later he was appointed Minister of Industry and Commerce and subse-quently administered the quently administered the petroleum sector, the founda-tion of the economy, when he was named minister of energy, a position he held until the PNM's defeat in 1986. "When I leave politics, I hope I will leave a People's National Movement that is broad-based,

economic prosperity," Mr Man-ning says. "I hope to see a soci-ety that is stable and one in which the social services are strong. "Much of this may not be achieved in my lifetime, but I hope I will see an economy which has a greater measure of security against international adversity."



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A heavy price is being paid for having tolerated a lop-sided economy

Hard times overtake islands

"The fall in oil prices led to a

contraction and implemented

corrective measures including the 33 per cent devaluation in

1985. But all that was

destroyed by the fall in oil

prices in 1986. It was clear that

whoever won the election would have to address the fis-

Mr Robinson has attempted

to deal with the economic prob-

lems on two fronts. He has cut

this year's TT\$2.5bn capital budget by a half, and reduced

by 5 per cent the TT\$5bn recurrent budget.

ued by 15 per cent to a rate of TT\$4.50 to the US dollar. Some

salaries in the government ser-

vice are being cut, subsidies to state companies reduced, while

petrol prices have been increased to help close a proj-ected revenue shortfall.

cial support. The government is negotiating with the Interna-tional Monetary Fund for a

earnings from oil.

Mr Robinson's second effort has been to seek foreign finan-

The currency has been deval-

cal situation."

CAROL MENDOZA, emerged confused from a supermarket "I really do not know what is happening in this country. imagine, I cannot get a piece of cheese to buy."

Her confusion is shared by Trinidad and Tobago's civil servants who, after having payment of their salaries delayed, marched through the streets protesting what they claim is a government plan to do away with 25,600 of their

The lack of cheese and the likely cutback in the state sectox are but two indications of of the hard times which have overtaken an economy which, less than a decade ago, was among the most vibrant in the Carribban.

"The basic feature of our situation is that our gross domes-tic product has been declining for the last six years at an average 5 per cent per year, so we have lost one third of our GDP, and therefore the size of the cake has in he reduced, explained Mr Ray Robitison, the Prime Minister and Finance Minister.

. "The second reality is that we have been paying out over the last six years a great deal more than we have been receiving, so the foreign reserves have been exhausted."

The country is now paying the price of having for too long tolerated a lop-sided economy, workly dependent of the country dependent of the country.

overly dependent on one commodity for its it foreign earnings and for the government's revenues. The petroleum sector accounts for about 70 per cent of the country's exports, and its contribution to the government's testenues has fallen by a half from 1981 to roughly 80

a half-span 1861 to roughly 30 per cent last year.

"The big problem is oil, not just the fall in prices since 1882 but also the fall in the level of production," said. Mr. William Demaa, governor of the central hank. "We have suffered from a diable squeeze."

The result is clear in the state of the further reserves.

state of the foreign reserves which have tumbled from US \$3hm (£1.7hm), at the end of 1982 to \$20m at the end of June:

The government's rever this year will be TT\$587m (£81.5m) below projection. Reduced earnings led to a \$250m deficit on the current account of the balance of payments last year, enemploy-ment has moved to 21 per cent

RALANCE OF VISIBLE TRADE (in \$ billion)								
Period Quarter	Exports	teoports	Balance					
1983	5.623	6;179	-0.556					
1984	5.205	4.587	+0.608					
1985	5.235	3.731	+1,504					
1986 S September 18 18 18 18 18 18 18 18 18 18 18 18 18	4.978	4.932	± 0.045					
1987	5.254	4,380	+0.874					
1986 - 1st qtr	1.616	1.025	+0.591					
2nd otr	1.208	1.249	0,041					
9rd-ctr	1.053	1,320	-0.267					
4th oir	1.063	1.306	-0.223					
1987 7st ctr	1.331	1.195	+0,136					
2nd qtr	1.230	0.846	+0.384					
3rd qtr	1.406	1.045	+0.361					
- Ath off	1.295	1.300	0.005					

from 10 per cent in 1981, and the economy contracted 6.1 per loss in revenue. We saw the cent last year following a 4.5 per cent fall in 1986. There is increasing concern

Bourse; Trinidad and Tobago Central Statistical Office

about the government's ability to honour its foreign exchange obligations, including debt ser-vicing and paying for its imports. In allocating foreign currency our priorities are basic foods, medicines, agricul-tural inputs and capital equip-ment for industry", said Mr

While admitting to the impact of the soft oil market on the economy, Mr Robinson has suggested that some of the blame must be accepted by the former People's National Movement administration which was defeated by the Prime Min-ister's National Alliance for Reconstruction just less than

two years ago.
This has raised the hackles of Mr Patrick Manning, leader of the opposition PNM.

He countered somewhat tes tily. They cannot pin that one on us. It is not fair to claim that the government inherited an economy which we had

 The Prime Minister believes he could get TT\$90m under this facility but the drain on reserves has raised doubts about the country's ability to service its foreign debts.

Approaches are being made to foreign official and commercial creditors but they are unlikely to be considered seriously until there is an agreement on an IMP programme for Trinidad and Tobago.

"We have no firm decision on the standby arrangement, and we are pushing first for the compensatory facility. said Mr Robinson. He said he expected Trinidad and Tobago could get about \$90m under the standby facility. "We are also arranging meetings with our creditor institutions to have a rescheduling of our foreign

Servicing its foreign debt will put a strain on the reserves during the next three years. Debt service obligations will demand \$474m next year, \$537m in 1990 and \$337m in 1991. Mr Demas explained that this problem of the 'bunching' of repayments is the result of medium-term borrowing to finance industrial projects. "We are meeting our debt servicing obligations at the expense of our imports," he

Most of the government's foreign debt had an original maturity of less than five years, while much of the rest was of between five and 10

years maturity.
With an IMF 'seal of approval' in the form of a stand by programme, refinanc-ing might not be difficult. Roughly two thirds of the country's foreign debt is owed



If looks like paradise...but fines are hard for those who live on Trinidad and Tobago

The government is also seeking local and foreign support for a public sector investment programme with projects in the energy sector, infrastructure and agro-industrial plants.

Mr Robinson said the target for the next three years is expenditure of TT\$3.8bn, of. which 44 per cent will be raised locally and the remainder from overseas.

Mr Manning's proposals to deal with the economic problems differ from Mr Robinson's programme, although there is agreement on the need for an agreement with the IMF. "The government has to go to the IMF", said the opposition leader. "We told them that if they had to go then they should go sooner rather than later."

Much more could be done, be said, if the internal wrangling, which has split the ruling party, did not give an impres-sion of political instability which does little for the confidence of prospective foreign investors. Mr Manning would like to see some deregulation of the economy to stimulate activity and create jobs, with increased incentives for investment, including policy changes to allow foreign ownership of

property.
"What is needed most of all is political stability and confi-

dence in the country."

For Trinidadians like Mrs Mendoza, her concern over cheese may not be immediately satisfied. Mr Robinson promises: "In 18 months Trinidad and Tobago will be through the worst and will begin to make the progress we would like to achieve.

"These are difficult times, not desperate times, for Trinidad and Tobago," concludes Mr Demas. Yet there is little to indicate how Trinidad and Tobago can quickly escape its over-dependence on oil. The expansion of a petro-chemical sector and new attention to tourism will take a few years if they are successful - to give meaningful support to the economy.

But diversifying the economy, said Mr Demas, will not asy. "We all want to be less dependent on oil, but this is a conundrum. To diversify from oil you need more oil - you need more money from oil."

Canute James



TRINIDAD AND TOBAGO **KEY FACTS**

Area	5,128sq km	101
Population:	- •	
Capital	Port of Spain	CH
GDP growth (1986)		Be
GMP per capita (1986)	\$5,360	De
Experts (feb 1987)	\$1.4bn	De
0ii as a % of exports (1986)	71.6%	Ra
• • •		

Imports (fob 1986)	\$1.04bs
Trade balance (1987)	
Current account balance (1987)	
Debt (1986)	\$1_15bn
Debt as a % GNP (1986)	24.6
Debt service as a % GNP (1986)	4.87
Rate of inflatios (1987)	10.74%

VOLUME AND	VALUE	OF SEL	ECTED	EXPORTS	1982-1	987
	1982	1983	1984	1985	1986	1987
Crude petroleum (million barrels) Value (\$m)	32.0 1,116.4	33.7 1,099.4	31,3 955.4	34.8 1,021.0	32.9 551.8	28.4 · 519.8
Ures (kg m) Value (\$m)	44.8 6.6	38.7 5.9	61.9 8.8	361.5 52.7	502.7 47.0	465.3 41.4
Steel products (metric tonnes 000) Value (5m)	115.1 18.8	169.9 26.1	215.4 36.5	129.8 22.2	315.8 78.5	n.a. 72.6
Sugar (metric tonnes 000) Value (\$m)	50.2 21.9	62.5 25.8	73.3 28.7	6 8.2 22.0	57.6 23.3	53.2 28.1
Anhydrous ammonia (kg m) Value (\$m)	712.5 96.8	1,196.6 151.5	1,173.9 180,3	1,157.5 166.2	1,120.7 125.4	1,076.4 112.6
R.a not available. Source: Contr	al Statistical C	Mace				





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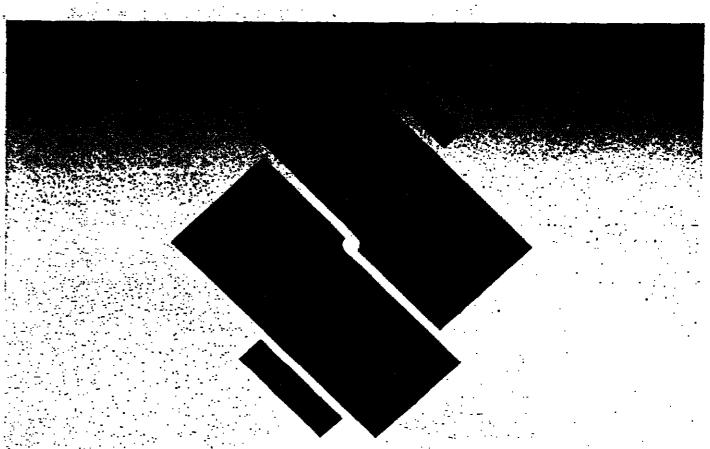
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Devaluations put strain on household budgets

of wealth during the early years of its colonisation, the sugar, cocoa and coffee planta-tions gradually slid into neglect following the discovery of oil at the end of the last

With the 1970s oil price boom, and abundant foreign exchange flowing through the economy; a cheap food policy became the vogue such that imported produce largely dis-placed that grown locally. High wages and a land price boom, fuelled by the oil revenue, fur-ther reduced the competitiveness of the local agricultural

It's minor contribution to the economy is reflected in the fact that 70 per cent of the country's food supplies presently At the height of the oil boom that proportion reached 90 per cent, in spite of the availability of abundant fertile land on the

food supply highly vulnerable to foreign exchange shortfalls,

INTERNATIONAL KNOW-HOW

and local expertise .

AGRICULTURE IS the ing devaluations of the curstep-child of the Trinidad econ-rency which are extremely damaging to household budgets. About 30 per cent of fam-ily income is spent on food and the last two devaluations have

cut deeply into real incomes. Previous governments have repeatedly tried to stimulate expansion of the agricultural sector, but have only achieved any significant success with sive livestock production.

This has been achieved how-ever through tax and import incentives on imported feedstuffs, making the livestock industry also highly dependent on imported raw materials and hence facing the same vulnera-bility as the food sector.

In a recently published study of Trinidad's agriculture over of Trinidad's agriculture over the past 25 years, Mr Winston Rudder, a Parmanent Secretary at the Ministry of Food Produc-tion commented: "These indus-tries must be considered to be largely local assembly-type production units in which labour isthe major, if not the sole, component of val-ue-added."

He also criticises previous policies for falling to give ade-quate price signals and incentives to producers. He said:

THE ROYAL BANK

"Monetary policies tended sugar alise the situation of low marginal efficiency and returns to capital investment in the agricultural sector" and that as long as oil income continued at a high level the gov-ernment preferred to opt for a cheap food policy by importing on the world market, rather than diverting resources to

investment in agriculture. The small proportion of bank loans to agricultural producers, at some 3 to 4 per cent of total bank credit is indicative of the low priority that has tra-ditionally been accorded to the

change however, forced by the new realities of the oil market. Government officials are hoping that although the recent devaluation has adversely affected food prices and hence consumers, it will send a posi-tive signal to producers and stimulate them to plant and

Mr Winston Dookeran, the Planning Minister, said that government-supported research and extension programmes are underway to pro-duce genetically-improved live-stock domestically instead of having to import them, and to produce animal feeds from locally-available by-products, especially from the sugar industry.

A new policy emphasis on export-led growth, is creating opportunities for growers inter-ested in planting new crops for export. Output has meanwhile en growing over the past 18 months, apparently due to ris-ing unemployment in the rest of the economy encouraging a

gradual drift back to the land.
The sugar industry for its part, one of the oldest on the slands, is facing an uncertain future due to world overpro duction, high-cost production methods and gradual loss of export quotas to both the EC and the US markets.

This year the government owned Caroni sugar mill, is to cut production by 30 per cent,

Mr Basdeo Panday, a leading politician and head of the

ment problems in some com-munities that depend on the mill. He admits privately though that the Trinidad sugar industry has a limited future other than for the domestic market and that production will eventually have to be diversified into other crops.

Present government emph sis is, therefore, on production of import-substituting crops, especially fruits and vegetables and which can also be used in proposed export-processing zones are expected to attract food processing industries

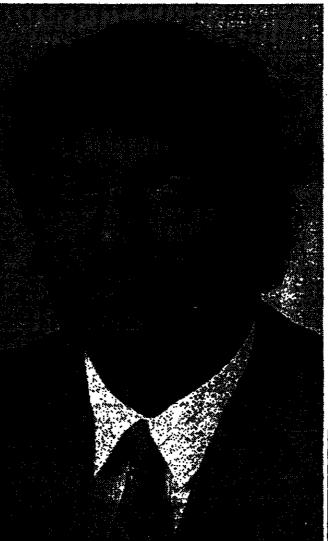
Mr. Lloyd Best, a pron but outspoken economist, recently put proposed a school feeding programme as a means of stimulating the agri-cultural sector and at the same time alleviating the burden of the food price increases on family incomes. The government's increasingly tight budgetaryrestraints make it unlikely that the proposal will be taken up, but the fact that every politician from across the political spectrum is now talking about the need for agri-cultural growth signifies that the sector may finally be on the verge of sustained develop-ment effort.

Even without cutting into the large tracts of rain forest which cover the islands, there is much agricultural land which is presently abandoned or under-utilised and which once again be brought back into production.

It will be for the government

to maintain the right price stimuli, and to make sufficient credit available at the right time to fuel the expansion.

All the previous govern-ments have paid lip service to a reducing the country's dependency on imported food but all have so far failed to produce the desired results. With different party in gov-ernment now, there is at least an expectation that the ploughshares may once again start



Winston Dookerso, Planning Minister said the governme backing research projects to find ways to raise genetically-improved livestock locally, rather than import them, and produce animal feed from readily available by-products of the country's

Foreign earnings projections are hit by market softness

Oil prices deal a crippling blow to islands' economy

and Tobago is a small oil producer. The country now averages 150,000 barrels per day, and is not a member of Opec. But for the country most things economic turn on oil. The cause of the problems afflicting the economy can be attributed, with justification, to oil. The shortfall in projected foreign earnings, said one economist, is the result of government planners predicting international prices at

about \$18 per barrel. The softness of the oil market coincided with indications of maturity in the Trinidad and Tobago oil industry, where production began declining. The government, in an effort to reverse the decline which has averaged 3 per cent per year since 1978, has offered new tax

Although earnings from oil have fallen by about 35 per cent since 1990, the sector is still the largest in the economy, accounting for 22 per cent of gross domestic product.

Consequently, lower prices had a crippling blow on the balance of payments and the fiscal accounts.

The problems of the petroleum sector are being tackled on two fronts," explained Mr Rupert Mends, permanent secretary in the energy ministry. "Firstly, there are incentives to increase production, and secondly, in the medium to longer term, there is an effort to increase the page of explora-

Trinidad and Tobago has total oil reserves of about 600m barreis - enough for another decade at current rates of pro-duction - but more than half of these are in marine fields. It was in an effort to stimulate increased exploration that the government lowered rates for incremental production.

"The government has sought to encourage production by lowering the supplementary petroleum tax for incremental production above a base level set at the end of 1987," said Mr Frank Look Kin, chief techni-

He said: "At the beginning of this year the tax rates were reduced from 53 per cent to 20 per cent for marine production, and from 15 per cent to 5 per cent for onshore production." Mr William Demas, governor of the Trinidad and Tobago central bank, said it will be

'some time' before the reduced tax rates have a marked effect

on production. "It could lead to

An oil storage tank is given a paint job: Amoco dominates the country's dil industry

Production last year was 155,200 b/d, slightly less than 1986. Mr Mends said this year's figure will be about 150,000 b/d. For the first time in seven years, new bids are being invited for drilling rights in an

effort to lift output. There has been strong investor interest from local and fireign compa-nies, including Mobil, Total and Amoco. "There is a move to develop heavy oil reserves, especially on the west coast where there are reserves of about 100m barrels," reported

Mr Look Kin.

Two companies, Trinmar and Trintoc, are to drill just over 200 wells to exploit the heavy crude, with the entire project coating about US \$125m At the same time, the gov-

ernment is increasing its presence in the oil industry, domi-nated by the US-based Amoco just over a half of national out-put. Now about 40 per cent of the production is by three

state-owned companies. Three years ago the govern-ment bought the 49 per cent stake of the Tesoro Oil Company of Texas in the Trinidad-Tesoro Oil Company, and became the sole owner. This

a halt in the decline in crude followed the government's pur-purpoduction in 1989, and create chase of a 320,000 b/d refinery omy's dependence on oil, gas is the basis for an increase in out from Texaco of the US.

Refining operations have been rationalised, with one company with two plants - that purchased from Texaco and a second facility rated at 80,000 b/d. But refining throughput has fallen steadily from just over 400,000 b/d in in 1970; to 80,000 b/d this year. Reduced production, with a halt in imports of crude for refining in 1988, contributed to the

The limited reserves of oil have forced increased concentration on the exploitation of natural gas fields with which the country is well sudowed Proven gas reserves are 16.6 trillion cubic feet, with probable and possible reserves at 22 trillion cubic feet. Current production is just under 600m cubic feet per day.

> OIL PRODUCTION (Barrels per day)

215,400 212,057 177,038 159,854 769,513

growing petro-chemical sector based on the production of sumonia, mathenol and urea in south Trinidad.

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Production will increase as new plants are built and new fields exploited. Amoco, which produces about 80 per cent of the country's gas, is developing a major new field which could yield up to 350 million cubic feet per day.

But the most significant development is a new field on which drilling is to start by the middle of next year. Located off the south-east

coast of Trinidad, the field is being developed by a new com-pany, Trintomar, in which the state-owned Trintoc and Trintopec will each have a 40 per cent stake, with the remainder ing held by the National Gas Company, also state owned.

The field is being developed

at a cost of \$150m, with production beginning at the end of 1989 with 350m cubic feet of gas per day, and 15,000 barrels of condensate per day, being produced initially. Gevernment officials say the

Trintonar project will reduce the country's dependence on Amoco for gas, and will also avert an impending shorifall in gas supplies.

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The Cinderella island

IT IS DIFFICULT at first sight imagine the people on Tobago having anything more to worry about other than the state of the tide.

This fairy-tale island, the smaller sister island to Trinidad, has all the beauty and charm the other for the most part lacks. Palm-fringed white beaches, coral reefs and lush vegetation give it a natural, unspoilt beauty of which the inspoint beauty of which the locals are proud and glad to return to after a trip to Port of Spain. And like any hinterland in relation to the matropolis, its people are friendlier and more easy genig than those on the main island.

But Tebego is also the Cin-derella of the relationship. Triphlad has the oil and have ral gas, the factories and heavy stry, the financial sector and the seat of government in short the jobs. Tokago has only fishing boats and cocount trees and until the oil price boom, lagged significantly behind Trinidal in progression of social services and besit infrastructure and indeed does still

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Beauty, however, has not been enough to keep the island's youth. The cost of liv-ing is high and incomes are . low. The lure of the big city and cosmopolitan life for the young people is the bane of rural communities the world over and affects Tobago in the

same way... Many are leaving for the larger island in search of week, but even there unemployment presently every 20 per cent distributed of getting worse. Emigration of the better minds and more adventurous sends is a cons problem and one which an island of only 44,000 peop cannot afford to sustain for

Tobago has 6 per cent of the total land area of the two islands, but only 3 per cent of the 1.3m population of the two Islands combined.

One local boy who stayed and made good however, is the present Frime Minister, Mr APON Recognition. He is leader son. He is le of the Democratic Action Con-

gress, a Tobago-based party and which won the two Tobago constituency seats in the 36-seat National Assembly in December 1986 elections. The fact that he was chosen as the leader of the various parties that made up the NAR coali-tion, was in itself a recognition that Tobago needed greater representation at national level, and was seen as a suitable means of not only calming independence-minded voices on Tobago but also of balancing the more dominant and opposing factions within the NAR, namely the ULF of Mr

Basdeo Panday and the ONR of

Mr Karl Hudson Philips.
The fact that major efforts

are now under way to develop

Tobago's infrastructure - the port and airport are being substantially expanded - and thus its tourist potential, is in no small part due to Mr Robinson. That will be sufficient to ensure him of a political future upon the island, even if he is eventually swept aside by the more powerful forces and voices in Trinidad itself. Which raises an old question of succession and independence.

The Cinderella-like relationship of the past has led to calls from Tobagans at various times for secession from Trini-ded. Indeed, Mr Robinson was at one time one of those voices and which resulted in opponexts launching wild accusa-tions against him that he was receiving support from Cuha

for such a move.
Trimitation fears of a secessionist movement still linger and only last month one of the thriving gossipy weekly news-papers, published in Port of Spain, accused Mr Robinson of raising the secession issue at a local constituency meeting...

Even though the report was not substantiated, the fact that the newspaper bothered to mention it at all is indicative that people on both islands remain sensitive to the possi-

Although both islands were discovered by Christopher Columbus in 1498, they were not united politically until 1888. Spain controlled Trinidad until 1797, when it was taken by a British fleet and subsequently incorporated into the British Empire. Tobago was not settled by Europeans until the mid-17th century and was then fought over by the French, Dutch and British, the last named finally winning out

After slavery was abolished in 1834, sugar plantation owners in Trindad brought in indentured labour from India and the far east from 1845 until 1917. As a result the present inhabitants of Tobago are almost entirely of African descent, whereas in Trindad the African and Indian commu-

nities are of the same size. These historical and cultural differences together with the geographical separation and economic dominance of Trinidad, have thus generated the sense of individuality of both islands, and possibly to proud indifference of many Trinidadians to their neighbours on the smaller island

One 45-year-old taxi driver told me he had never visited Tobago, a mere 12 minutes away by aircraft or a five-hour boat trip. "I have everything I need here in Trindad", he said. As a Tobagan commented: "A lot of people there say the same, and it's not as though they need passports to come".

Mr. Robinson's rise to the principal political post in the country may help to change those attitudes as may his efforts to develop Tobago's efforts to develop Tobago's

tourist potential But were he to be eventually forced from, or voted out of office, due to the pressures dominated political scene, some of his opponents specu-late that he might indeed think again about a secessionist

option for Tohago.

His DAC party won 66 per cent of the votes in the 1986 elections in Tohago, making him a big fish on a small island on to speek and who is now as so to speak, and who is now an internationally-recognised fig-ure. It would be an option that would have to be taken seri-

Tim Coone



Palm trees sway at a Tobego golf club

Fuel is basis for new industrial sector

Switching to natural gas

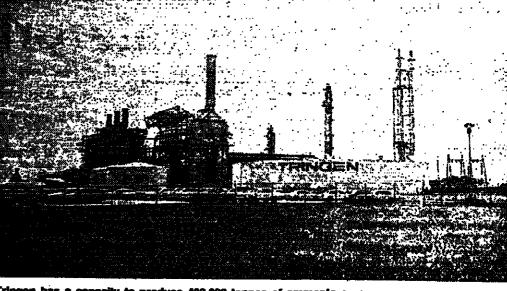
TRINIDAD and Tobago's efforts to ease dependence on oil have led it to use its plentiful natural gas as the basis for a new sector. The gas is being used to build a heavy-industrial and petrochemical plants. Most of the plants are located on a 2,000-acre industrial estate in southern Trinidad, also the site of a steel mill which was conceived as the vanguard of the country's move to industrialisation.

Except for Puerto Rico, Trinidad and Tobago is now the most industrialised island in the Caribbean. But the results of the effort to develop the heavy industrial sector have been mixed.

"Bitter-sweet is how I would describe it," said one govern-ment official. "We have lost quite a bit on some, and we are earning money from others." A World Bank study on Trinidad and Tobago's gas-based indus-tries concluded: "Actual direct value added from the gas-based industries has been less than one-sixth of what was expected because of difficulties with plant start up and unexpect-edly depressed international

"In addition, the anticipated ... proliferation of linked industries such as component supplies and downstream processing was constrained by doubts concerning the viability of the

gas-based industries." The study, however, offers some hope to the sector. "Although cost overruns and teething problems were severe ... all the Trinidad and Tobago gas-based plants are techni-cally efficient, and ... they are all potentially competitive at prices governing the replacement costs of an efficient new producer." The petro-chemical sector is based on four ammonia plants, one methanol producer and a urea factory. They all appear to have done better than the steel plant, the Iron and Steel Company of Trinidad and Tobago (ISCOTT). The integrated mill, which began operations in 1981, cost US \$460m (£275m) to construct. It has two direct reduction plants with a total capacity of 900,000 tonnes per year, and rated capacity for 700,000 tonnes of billets and 600,000 tonnes of wire rods annually. However, the plant failed to lift output above 30 per cent of its rated capacity in its first five years. It lost about US \$250 between 1984 and last year, and is proj-



in 1977, when the Grace com-

pany and the government

joined forces to establish a new

Tringen has a capacity to produce 400,000 tonnes of ammonia a year

ecting net profits of about \$50m between next year and 1990. ISCOTT was also set back by the loss of a significant part of its US market for wire rods when US steel producers argued that the Trinidadian company was not a commercial producer because of its access to subsidised fuel, and was effectively dumping the prod-

uct in the US. The operations of the com-pany improved when Ham-burger Stahlwerke of West Germany and Voest Alpine of Austria began to run the plant under contract from the gov-ernment two years ago. Mr Ray Robinson, the Prime Minister and Finance Minister, said the government wants to divest the mill, and is speaking with prospective investors. The gas-based petrochemical sector is more promising. With its ammonia and urea plants, Trinidad and Tobago has become the world's second largest exporter of nitrogenous fertilisers after the Soviet Union, according to govern-ment officials. The fertiliser plants represent investment of US \$802m, with exports last year totalling 1.35 million tonnes, and expected to reach
1.8 million tonnes this year. Exports of urea last year were 425,700 tonnes. The fertiliser industry got its start in the 1950s when W.R.Grace of New York established an ammonia plant, Fedchem, in Trinidad, with average output of 220,000 tonnes per year. The recent increase in production began

company, Tringen, with rated capacity of 400,000 tonnes of ammonia per year. The government owns 51 per cent of the venture, with W.R.Grace having the marginal minority stake. The Trinidad and Tobago government also has a 51 per cent stake in a third ammonia plant, Fertrin, which began operations in in 1981 as a joint venture with the Amoco Oil Company. The plant has a rated capacity of 750,000 tonnes per year. The increase in ammonia production this year will come from a new plant, Tringen 2, built by W.R.Grace, and which has a rated capacity of 500,000 tonnes per year. As with the earlier joint venture, the Trinidad and Tobago gov-ernment and W.R. Grace have a 51 per cent and a 49 per cent stake, respectively. Industry spokesmen say the agreement between the partners will see Grace purchasing 40 per cent of the production of the plant on a take or pay basis, with the rest being sold on the open market either on short term contracts or spot sales. The government is expecting revenues of about US \$1bn during the 15-year operational life of the plant. The urea plant is wholly owned by the govern-ment. Built by Snamprogetti of Italy, it has a rated capacity of

600,000 tonnes per year. The major markets for Trinidad

and Tobago's fertilisers are the

US, Central American coun-

tries, the European Community and India. According to Central Bank, the expansion of production of nitroge-nous fertilisers is continuing. "For the first six months of 1988 production of nitrogenous fertilisers reached 1.01m tonnes, exceeding output in the corresponding period of 1987 by 16.8 per cent," the bank reported. "The quantity of of fertilisers exported between January and June 1988 amounted to 899,900 tonnes, 23.6 per cent more than exports in the first six months of 1987. The bank said the increased output was the result of the

start of Tringen 2. The methanol plant plant is wholly owned by the govern-ment, and started production in 1984. Output last year was 425,000 tonnes, with exports at 405,000 tonnes. The World Bank study describes the plant as being "technically efficient," but it says the company has a debt to equity ratio of 2:1. "The break-even price needed to service the full 1988 debt burden is US \$135 per tonne, whereas the Bank projects prices of \$110 per tonne into the mid-1990s." But the Trinidad and Tobago central bank reports brighter prospects for methanol. "Prices for contract customers in western Europe averaged US \$190 per tonne (fob Rotterdam). In June, methanol prices in Western Europe averaged \$197 per tonne, the highest level since

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Islands seek investors for state enterprises

THE REVENUE shortfall being experienced by the government has reduced its ability to con-tinue subsidising some of the 67 state enterprises, and efforts to divest several of these are being made with some

urgency. Government officials have put in some doubt the government's ability to honour an earlier undertaking to continue providing financial assistance to these state companies which can be made viable.

Running up losses, to be met by the budget, is only half the problem of the state enterses, which include the country's sugar mill and refinery. oil and gas companies, petro-chemical plants, a steel mill, power, telephone and telecom-

an international airline. Just under a half of the \$474m (£284m) which the country will pay in servicing its foreign debt next year will repreent repayments of loans to the state enterprises.

Between this year and 1991, principal and interest pay-ments on the foreign debt of the state enterprises will total \$768m, unless the government obtains the refinancing agreements it says it is seeking.

"One utility company alone, in the space of two years, incurred foreign liabilities to the extent of \$333m," reported Mr Ray Robinson, the Prime Minister and Finance Minister. "The government is faced with the alternatives of either restructuring some of these companies or shutting them down altogether." He has mpanies or shutting them year.

wn altogether." He has Mr Patrick Manning, the scribed the state sector as opposition leader, said he was

are being held with prospective investors in several state com-

One of these is the telephone company which has ncurred a high proportion of We are also discussing the divestment of ISCOTT, the iron and Northern Telecom of Can-ada, have been discussing the share of the telephone company which the government

Government officials say the administration is particularly keen on finding a foreign part-ner which will take over or ease the steel company. The plant, which started operations in 1981, cost \$460m to build and Mr Robinson said recently that it will require support from the treasury of \$55m per year until 1992 and \$27m per year afterwards.

Another company likely to be among the first offerings for Trinidad Cement Company which was bought by the government in 1976 and kept alive by subsidies until 1984. The company has 1,200 acres of quarrying operations and a plant on 100 acres. Its assets are valued at \$69.5m but it

implementing its divestment

"While we are in support of divestment, we are not in sup-port of privatisation," he explained. "The most prag-matic course is a mix of private and public ownership. The government is simply looking for injections of cash, such as the situation with BWIA."

BWIA, the state-owned airline, is not up for divestment, say government officials. Mr New York, involving three of the company's aircraft, and which is earning the country

But the prime minister has denied that the government is indulging in outright privatisation. "In some cases, where necessary, we will expand the state sector," he explained. On the drawing board are new joint ventures in some es with local capital and widespread participation. In some cases foreign capital will

If we get out of one enter-prise, it does not mean that we are getting out of all enterprises. What we are doing is making ourselves more capable of entering into new enterprises and managing those we retain in an efficient manner." It appears, however, that with the rapid deterioration on

the country's foreign reserves, and the revenue shortfall which has caused a cufback in subsidies to the state sector

more quickly into the direction

It is now clear that the trea sury cannot even contemplate last year's demand from the state companies for financial support totalling US \$750m "about one half the current expenditure for the year," Mr

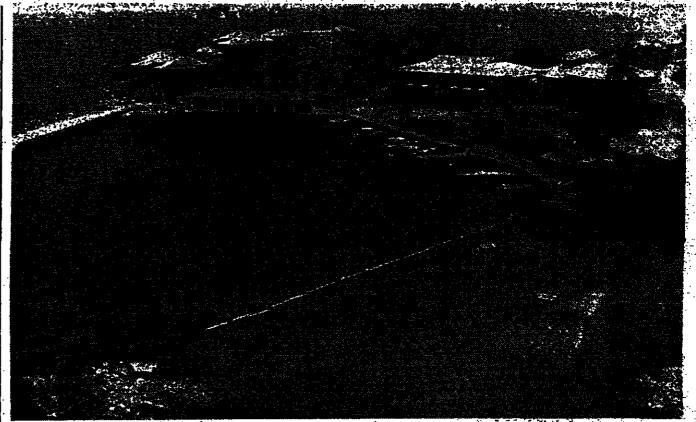
Bankers report also that more argency in divestment of state enterprises is likely following conclusion of stand-by agreement which the government wants to negotiate with the International Monetary Fund.
One banker said: "One of the

conditions on which the IMF will insist, without a doubt, is a reduction of the fiscal deficit and measures to increase foreign reserves. On both counts the state enterprises are a lia-

It appears unlikely, however, that the state companies which can be quickly turned around to make them viable proposals for investors.

"While the local private sec-tor has made certain signifi-cant investments, it has not ... demonstrated a willingness to extend the frontiers of production," reported a government-

The committee concluded that there could be few takers for most government compa these enterprises at best, make an inadequate return on their investment and indeed make very large losses which have to be covered through taxation."



It is not only beaches and palm trees that attract visitors

Cultural diversity is key to tourism development

are as much ingrained into the culture and life of the people of Trinidad and Tobago as its beaches, its rum, its oil refiner-ies, and the tar lake — asphalt from which is reputed to have surfaced roads throughout the

Indeed, the sugar and oil industries indirectly gave rise to the music and the instruments - the music for its black African roots, while the steel pan instruments with their characteristic sound were, and still are, fashioned out of 45-gallon oil drums.

The living conditions and politics that surrounded these ndustries in turn became the subject of numerous calypso songs, adding biting social commentaries in an easily digestible form to complement political agitation.

But while the oil-industry has become the dynamo of the iomy, the culture that it gave rise to has been allowed to languish, largely ignored by both business and government, allowing bands from other up, adapt it and then claim it as their own.

The decline in the oil industry in recent years has caused planners to reflect upon this heritage. For together with the islands' unspoilt beaches, year-round sun and growing unemployment problem, they have realised that they have all the basic pre-requisites to develop a strong tourist indus-

try.
The Government's recentlypublished seven-year planning

important source of employment as well as net foreign

It adds that Tobago's tourist potential must focus on its beaches, coral reefs and water sports possibilities, while development of Trinidad must emphasise its cultural diversity, flora and fauna and "its festivals, famed steel bands and calypso."

Maybe it was this that rompted one cynic to poke fun at the Government's eco-nomic difficulties by pointing out that the steel band (which can have as many as 90 mem-bers and uses little electronic support) is one of the most the islands.

Mr Ken Gordon, Minister for Industry and Tourism, insists though that the sector is capable of rapid growth.

Present government efforts are directed at extending the runway at Tobago Airport to enable if to handle large jets, and to enlarge the island's port to cope with cruise ships and the additional cargo that will ist trade expands. Work should be completed on these projects

A total of 250 new hotel rooms are now under construc-tion on Tobago, while the aim is to increase the total number of rooms available on the two islands from 2,100 to 3,600 over a five-year period, with most of the new construction taking place on Tobago. This will still leave Trinidad

and Tobago substantially behind Barbados and Jamaica, for example, which have 6,500

and 11,300 rooms respectively but it will none the less algority substantial growth in the less for the Communications are

cies in the supporting infra-structure and poor marketing

responded well to the plan, urged on by investment incen-tives including 10-year tax tion, and the waiving of import duties on construction materials and equipment. Mr Gerdon says the target of 1500 extra rooms by 1991 is Highly to be reached ahead of schedule.

It is the ancillary services and related infrastructure that remain deficient, however, and this will require attention if a balanced development of the sector is to be achieved.

For example, as the visito ches the famous fiftch lake in the south, the condition of local roads, ironically, becomes progressively worse. she is immediately harangued by a group of shouting, half-drunk tour guides all demanding to be their official guide to the point that one is tempted to get away as fast as

The public transport system on both islands is somewhat obscure to the visitor, functioning around "maxi-taxis" which operate along fixed routes, but which only local people seem to know since there is no published map of the routes.
Individual taxis are expennlessure permitted to set up car hire firms, making the service not the best or most competi-

These and other basic prob-lems will have to be dealt with if the Government hopes to compete with other, more developed centres in the Carib-bean and to make the most of its new investments - and especially if it intends to aim at the upper end of the market, as stated in the planning pro

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These limitations have their repercussions for local traders. A woman who runs a small business on one of Tobago's best beaches, at Pigeon Point, says. "We hope the business grows but right now I make more out of local trade, and if I expand at the moment I will probably do so only on the basis of local trade."

One concern of Tobagan peo will be limited to a few capital intensive projects with few spin-offs for the rest of the popthere is also a fear that an over-rapid expansion will ruin the island and the image of peace and tranquility it pro-

An encouraging sign is that the Government appears sensi-tive to these feelings and is organising a series of public forums for all concerned with and affected, by the tourist trade. People will be able to air their views, which is a step in the right direction.

Tim Coone

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ery abounds on Trinidad and Tobaco

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INSIDE

Allied-Lyons takes to the bid barricades



food and drinks group, is on bid alert - for the second time in two years. Mr. Alan Bond (left) the predatory Aus-tralian, has raised his stake in Allied to at least 11 per cent, and the UK company is assuming he will eventually contem-plate a bid. Lisa Wood tooks at Allied's

All eyes on Eurobond stakes The Eurobond market, although awash with cynics, may be beading for a record year. The last 12 months has seen the development of "a genuine improvement in sentiment" and a recognition of the need to conduct business profitably. But individual jockeying for market position persists as many clients keep close watch on latest rentimes in the European watch on latest rankings in the Eurobond league table. Page 28

Cowboy spirit of American



and unhealthy enthusiasm for small businesses. — a product of America's long-standing "cowboy spirit" of Individual enter prise. That, at least, is the contention of a controver-sial new book which sees this as a major part of the explanation for the sudden

decline of the once domi-nant US semiconductor industry. But the book's arguments are questionable on several grounds, maintains Christopher Lorenz in the Business Column, Small

Seibu logic takes it abroad

Fraternal rivalry or simply compelling business logic. One or both could be the motivation behind the £1.2bn takeover of the InterConti-nental hotel chain by the Tokyo-based Selbu Salson group. Whatever the reasons, the move represents a dramatic policy shift for one of Japan's leading consumer goods companies. Tony Jackson in Tokyo reports on one of the biggest overseas acquisitions ever from a Japanese company. Page 27

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Mercurial sugar baron waits for dust to settle

Alan Friedman meets Raul Gardini, head of one of Italy's leading industrial groups

R and Gardini says he has no regrets. After months of controversy about the share deals tied to his restructuring of the Ferruzzi-Montedison group, the 53-year-old sugar baron from Ravenna reckons he is finally in the clear. His debt problems are being sorted out, profits are flowing in from the buoyant chemicals sector and a new corporate structure is about to be explained to institutional investors around the world dur-ing a road show that kicks off

ing a road show that ficks off this morning.

The mercurial Mr Gardini, whose takeover of 42 per cent of the Montedison chemicals concern has made his Ferruzzi empire Italy's second higgest private sector conglomerate after the Agraelli group is howing that the Agnelli group, is hoping that after the turbulence of the last few months he will now be able to persuade foreign investors that his newly quoted shares repre-sent a good buy.

But when asked to respond to

the sharp criticism from Italian and foreign investors and analysts about his alleged asset stripping of Montedison's financial services subsidiary in the Ferruzzi restructuring, about the valuations used in the deal and about charges that he has ridden roughshod over the interests of 100,000 minority shareholders, he

remains unbowed.

Criticism, he says, poured in simply because "this was a new operation by a new group".
Besides, he adds, "you don't get anything done if you wait for the consensus of everyone."

The message that Mr Gardini's men want to get across instead is the remarkable transformation of his Rayenna-hased employ—in

his Ravenna-based empire - in just three years - from agricul-ture and commodities trading to a diversified conglomerate that also includes composite materials, bulk pharmaceuticals, energy and petrol stations, insurance and perrol stations, matrance companies and newspapers. In a lengthy interview at his Milan office Mr Gardini did suc-ceed in outlining a more coherent financial and industrial strategy

then has been apparent in recent months. The new-look Ferruzzi can be summarised in three key • The reordering of the group places Ferruzzi Finanziaria (Fermaster holding group that includes the Montedison stake. Ferfin is 39 per cent owned by the Ferruzzi family and plans to sell before Christmas a further 34 per cent of Ferfin shares that are now cross-owned by Montedison.

(\$714m). • The transfer of Montedison's basic chemicals, fibres, elasto-mers and fartilisers assets to a

This should raise about L1,000bn



Rani Gardini - talking boldly about new acquisitions

new joint venture company with L3,500bn of debt off the Montedison balance sheet. The Enichem deal also allows Montedison to concentrate on its strengths in value-added polymers and pharmaceuticals.

 The recent sale of other assets such as the Standa retail chain helps to reduce debts further.
The Gardini story is certainly
an unusual one. In 1985 the
yacht-loving Ferruzzi boss was

presiding over a multi-billion dollar sugar, soybean, cereals trad-ing, shipping and agricultural empire that was unquoted, unconsolidated and uninterested in any public disclosure. But three years ago Mr Gardini began stalking the Montedison group in Milan, Italy's biggest chemicals concern and a company that was being turned around by the brilliant management of Mr Mario Schimberni, the maverick chairman who would eventually be ousted by the selfsame Raul Gar-

By the end of last year Ferruzzi and Montedison were reeling under a combined debt burden of nearly \$95n, a total that had mounted as Mr Schimberni spent hillions to take full control of the Himont composite materials group in the US, the Erbamont pharmaceuticals group and the Spain. The irony is that today Mr Gardini recognises the wisdom of these purchases, which now form the core of the new Montedison. When the stockmarket crash of

last October ruined plans for a rights issue to reduce Montedison debt Mr Gardini says he came under pressure from Citibank, which had put together a \$1bn revolving credit facility for the company. So he went to the 80-

year old Eurico Cuccia, the eminence grise at Mediobanca, the powerful Milan merchant bank.

Cuccia designed a labyrinthine restructuring that removed from Montedison its prize Meta financial services subsidiary and transferred it to Ferruzzi. This plan, when it was announced, sent the Milan bourse into a tail-spin as investors denounced a deal they said would benefit Fer-ruzzi and no one else.

Next year, when the dust has settled, Ferfin ought to be able to produce a consolidated balance sheet that is more straightforward than the present transi-tional state of affairs. Several analysts in New York and Lon-don say they still find it hard to decifer what the Ferfin balance sheet really means and that is sheet really means and that is why the Gardini road show takes

The confusion stems largely from accountancy technique they use. For example, the Ferfin proforma consolidated balance sheet for 1987 (and the first-half figures for 1988) does not include the commodities trading husiness that last year amounted to more than 5thm of transpar.

than \$3hn of turnover.

The projected full 1988 Ferfin net profit, which is forecast at L640hn (against L168bn in 1987) does include Meta, but would for an extraordinary credit from the sale of Standa. Mr Gardini, meanwhile, speaks

boldly about new acquisitions in future that will ensure that Ferruzzi is "a global group". In which sector? "Who knows", replies the grinning billionaire from Ravenna, adding that "as you stroll along the street you tend to come upon interesting

How single-issue minorities build the platform

Anthony Harris in Washington

he most important fact about any US presiden-tial election is that only a little over half the people on the register are likely to vote, and that most of those who do only make up their minds at

the last minute.

This explains why the the markets seem so slow to celebrate George Bush's current lead in the polls. Opinion polls are often a poor guide to the outcome. Presi-dent Truman overcame an enormous lag in the polls to win in 1948, and President Ford came quite near to repeating the trick in 1976. It also explains why in every election the candidates are accused of avoiding the issues, and wasting their time on appar-ently marginal questions such as

These questions are not mar-ginal when it comes to getting elected, because they are not marginal to significant minorities of Americans. The single-issue fanatics, whether they are con-cerned with the right to life (i.e. the abortion issue), the quality of the environment, gun law or the size of retirement pensions, may have no fixed party alliegance, but they are likely to cast their

So are those who may have very little everyday interest in politics, but are open to chivvying from people they respect. "We organise the black vote in the churches", a Democratic committee-man in Georgia explained to me. In other states it is the Republicans who get the call on Sundays. Success may lie in get-ting enough trade union organisers, or Kiwanis, sherriffs or rabbis to get the vote out. Majorities are built out of a host of minori-

One issue which is getting a lot of time, and generating some bit-ter debate, is the environment. No doubt the parties' private polls could explain why, but there is no need to consult them. The three main chemical companies, for example, have all recently invited concerned citi-

zens near their most sensitive plants to join committees mandated to monitor pollution and decide on possiby expensive remedies. Du Pont is spending \$500m on developing substitutes for CFC refrigerants and aerosol propellants.

This may show good citizen-ship, or good marketing, or it may simply show well-justified fear. The nuclear power plant industry has been killed by con-cerned minorities, and some of their customers among the utilities have been bankrupted. Of course, it is not only in the

US that green issues are becommg more and more central. Mrs Thatcher's rather startling conversion on this issue is probably based on scientific advice. The increased concern in countries such as West Germany and Sweden reflect a mixture of expert opinion and political pressure. Whatever the cause, and whether

'That dedicated minorities can have such a political impact without going to the trouble of organising a new political party is a valuable early warning system for the rest of the world'

the fears of the scientific community are well justified or not, green issues are soon going to be a very important fact of eco-

nomic, as well as political, life.

This was well illustrated only a couple of days ago by a sober report from the Washington-based Worldward implications of the immediate implications of

global warming.

This year's US drought is already old news; demand will be met from stock, the slaughter of meat animals has been rather less than was feared, so on favourable assumptions the whole episode will soon be relegated to the footnotes.

underground aquifers depleted, would affect the crop next year. The results are forbidding. This year's drought is likely to leave world grain stocks down to about 57 day's consumption (the official US estimate is only a few days higher), and the ploughing of the land left fallow this year under US commodity schemes would add only about 2 per cent

to the world's acreage.

A bad crop would cause real shortages in world markets, and



trigger the kind of long-term price increase which used to figure in the economic textbooks, until the green revolution made this prediction look silly.

The textbook reasoning was that since productivity in manufacturing was bound to rise faster than in farming, the terms of trade would move steadily against manufacturing, and the report suggests that this could prove true even if the weather

returns to normal indefinitely.

Land productivity has hardly
risen during the 1980s, because most farming is now based on the high-yield seeds and heavy chemical inputs which powered the revolution. There could be a sec-ond revolution based on biotech-nology, but this is pure specula-tion. It seems to be time to brush

up your Malthus.

The possible results of the greenhouse effect do not make the prospect of starvation much worse. The report suggests that there are swings and round-abouts, as old prairies dry out and colder regions become more productive. The move would be very expensive, though, requiring for example a \$200bn investment in irrrigation in North America

alone.

Checking the effect is even more expensive, and more prob-lematic. It means large scale reafforestation in the tropics (already emerging as a feature in some aid programmes), a huge cut in fuel burning, which may involve a search for a house-trained form of nuclear power after all.

These speculations may seem a long way from the US election, but it may make very little difference to the outside world which

party wins this election. The next President will find himself almost entirely boxed in on questions of economic policy. However, the litmus test aspect of a US campaign remains fasci-

gated to the footnotes.

The report tests the unfavourable assumption that there will be a second year of drought. It is the trouble of organising a a second year of drought. It is the the trouble of organising a worth adding that even a dryish winter, which would leave the early warning system for the rest of the world. The 1988 candidates have little to say about economic strategy or

trade issues: they and the electorate seem to recognise that in an interdependent world economy, the US cannot control its economic fate and must simply get on with housekeeping. But the minorities are proving that this simply substitutes new problems for old. Education and the environment will be big issues every-

Economics Notebook

Moving towards a new system

exchange rate system can draw and yen are extremely wide-some satisfaction from last over 15 per cent from floor to week's meeting of the International They are also "soft", tional Monetary Fund - as long as they are prepared to be

The G-S countries - the US. Japan and West Germany made it clear that we are not on the verge of a new international monetary order. Two key prerequisites for such a shift are still lacking.

The first is the political will

among governments and centrai banks to sacrifice their national discretion in setting monetary and fiscal policies. The second is sufficient confidence that the present pattern of exchange rates is sustain-able in anything more than the short term given still large balance of payments disequilibria. There are also broader philo-

sophical objections to the blue-prints produced by academics. The West Germany Bundesbank, for example, will not consider locking the D-Mark into any exchange rate system which does not match its own commitment to price stability. The US, meanwhile, is unwilling to give up the flexibility it still retains over the dollar. It prefers a pragmatic approach besed on the development of economic policy and performance indicators rather than a leap to fixed or semi-fixed

exchange rates.

That said, there is visible impens behind the coordina. tion process which began with the Plaza accord three years ago. No-one in Berlin mentioned a return to unfettered or free floating exchange rates. Unless a new US Administra-

tion retreats into economic isolationism it is hard to see the momentum dissipating.
At one level, the G-7 countries are looking at ways to tighten the present at hoc arrangements for exchange the present direction.

ADVOCATES of a radical rate management. The present overhaul of the world bands for the dollar, D.Mark with movements outside the bands triggering consultations rather than automatic currency intervention or policy

changes.
Some of the new ideas involve a much more explicit commitment to maintaining rates in narrower bands and providing rules for periodic adjustments. Others work backwards from firmer macroeconomic policy commitments to provide the basis for less volatile currency markets. In between, there are sugges-tions, like that of Japan, to

improve the technical ability of central hanks to intervene by accelerating the diversification of official reserves. At another level, the IMF is trying to define the shape that the system might take in 5 or 10 pages than

10 years time. Mr Michel Camdessus, the Fund's managing director, is under no illusions that a major shift can take place overnight, but is equally concerned that any incremental changes should have some sense of

direction. Up until now the Fund has been focusing on simply identifying the characteristics that any new system might have and those which it should avoid. Now it will look at the wider issues of international liquidity and the role of the SDR and at other possible anchors for the system.

France is trying to force the pace on both the practical and theoretical levels to get some agreement on priorities at least at next year's world economic summit in Paris. That may well prove over-ambitious particularly if the dollar falls sharply after the US election but it will be hard to reverse

Mr Nigel Lawson, meanwhile, may have offered speculators in the foreign exchange markets a one-way bet.

His comments last week that a devaluation of the pound was an "entirely inappropriate" way to close Britain's current account gap were framed in the context of the medium

They also underline the fact that he cannot afford to cut interest rates again if the pound rises sharply in the short-term. Sterling would have to rise significantly above DM3.20 before the Government could even think about lowering base rates from their pres-

ent 12 per cent.

Messive intervention to prevent an appreciation would also send entirely the wrong signal about the Government's anti-inflation resolve. It is now clear that the recent acclera-tion in inflation may continue well into 1989.

Mr Lawson's analysis of the current account gap in terms of a excess of investment opportunities over savings has not deflected attention from the real problem - too much borrowing which finances too much consumer spending.

With fiscal policy ruled out as a policy instrument, the Treasury is left only with high interest rates to curb consumers' appetites for imported cars and videos and to turn around the current account.

Sterling does not look a good medium-term investment.

But within the extremely short time horizons operating in the foreign exchange markets, investors may conclude that the pound now combines a large and guaranteed interest rate differential with no significant currency risk.

Philip Stephens

THIS WEEK FINANCIAL MARKETS WILL have to wait until Friday for

what looks likely to be the most significant economic release of the week; the US September employment It will be remembered that it was the June and July

employment data that prompted the Federal Reserve to raise its discount rate to 6.5 per cent from 6 per cent and the August figures, released a month ago, that prompted a three point rally in the US Treasury market.

The employment figures have become important for markets attempting to divine the future course of growth and inflation in the US. On Friday, figures will be release for non-farm payroll employment, the

unemployment rate, hourly earnings index and aggregate hours worked index Consensus forecasts compiled by MMS International, the international economics pollster and forecaster, suggest that employment will rise by 283,000 (219,000 in August) and

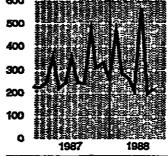
the unemployment rate will be 5.5 per cent (5.6 per cent). If the figures are stronger than forecast then US markets may well switch their attention to the Fed's operation in the . money market to see if it is nudging interest rates higher. Fed funds are currently trading around 8 to 8½ per

Although the employment figures should be the most authoritative indicator of activity in the US released this week, today sees the publication of the National Purchasing Managers' Survey for September and this too may

of activity in the US. An index number of between 55 and 58 is regarded as being consistent with growth in the region of 3 per cent to 4 per cent a year. In August the index number was 56.2. The bond market could take heart

provide a cine to the strength

US Employment Change in non-agricultural раутойз (1000) 600 жжжжж



if the September rating is lower than in August. Those concerned with monetary policy in West German will be watching tomorrow's money market operation of the Bundesbank, the West German central bank. It is due to hold a securities repurchase tender for DM14.6bn_

The Bundesbank's 'repo' rate currently stands at 4.25 per cent and, despite some recent currency market intervention to support the D-Mark, analysts do not expect the authorities to raise the rate.

A similar money market operation with be conducted by the Bank of France on Thursday, Again expectations are that the authorities in Paris will maintain their intervention rate at 7 per cent.

The only UK figure due out this week is official currency and gold reserves for September. The MMS consensus forecast is for a fall in underlying reserves of \$50m in the month.

Sometime during this week the West German authorities will release data for August industrial production and August new orders. Today: US factory orders

for August and construction spending for August. Tomorrow: US domestic car sales, September; Australia,

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INTERNATIONAL CAPITAL MARKETS

UK GILTS

Gains attributed to buying-in by Bank

PRICES IN the gilt-edged securities ended higher last week, extending the gains made over the previous week. There was a parallel move in prices along the yield curve for the second week in succession.

To the dismay of analysts, yields for short-dated gilts

appear to be discounting a cut in official interest rates, while the market for longer-dated stocks appears to have under-gone a Damascene conversion respect of the inflation out-

indeed, given that there has been nothing in the way of official data to indicate that the pace of expansion of domestic demand has shown any signs of moderating. Last week's trade figures

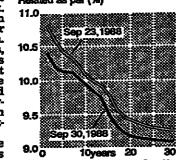
showed the underlying deterioration in Britain's current account was continuing a pace, while the Bank of England's banking return indicated that that Mo, the Treasury's key and targeted monetary variable, was growing at an annual rate of more than 8 per cent, fully 3 percentage points out-side its target. So why has the market improved?

Its closing on a firm note on Friday cold be attributed to the performance of US Treasuries, but that explains only one trading session of a week with quietly bullish undertone to it. Stock shortage, a new found decisiveness after the summer all been advanced with degrees of seriousness for the twoweek-long rally in prices.

As the analysts stratch their heads it is therefore not sur-prising that some have turned their attention to the operations of the Bank of England in the market. To them the Bank, through its buying-in activities, is distort-ing the market. To some it is also wasteful of taxpayers' money; to others it has potentially harmful consequences for the balance of payments

and sterling. Mr Stephen Lewis at Phillips & Drew and Mr Stephen Bell at Morgan Grenfell are the two most vocal of the Bank's cur-rent critics. Mr Lewis believes that by its actions the Bank is artificially depressing yields for long-term sterling assets. This, he claims, is leading to an outflow of long-term capital at a time when the UK needs capital inflows.

UK gilts yields Related as par (%)



attracting are, he says, "hot" speculative flows which can move in the other direction quickly when sentiment to starling changes. He estimates that these flows of hot money may be as large as £15bn this

(As the accompanying yield curve chart shows, the area of the market which performed best last week was the short-end of the market. This reflects quite sizeable foreign demand for short-sterling instruments consistent with the rally in the pound last week.)

The effect on long yields of the Bank's activity is to depress them by around I per-centage point from what it would otherwise have been

Mr Lewis arrives at this by assuming that conventional long yields are the sum of real interest rates (as defined by index-linked securities, currently around 4 per cent), infla-tion expectations (which he estimates at 5.5 per cent) and a 1 percentage point risk pre-mium for holding conventional

The Bank currently stands in the market as a buyer of last resort, and has taken to buying stock at, or very close to, market prices. As such it is removing risk (and reward) from

The scarcity of new gilts also means that a premium attaches to existing stock. However, by its actions the Bank is concentrating that premium in one area of the market, paying for it itself, while at the same time issuing costly

Simon Holberton

US MONEY AND CREDIT

Plunging oil prices boost sentiment

CONSIDERING that Wall Street bond markets could receive some fundamentally bad economic news this coming Friday, they put on a sur-prisingly spirited performance late last week.

The yield on the Treasury's

benchmark 30-year bond dipped below 9 per cent for the first time in two weeks as positive factors, particularly plung-ing oil prices, kept investors and traders relatively optimistic ahead of the economic data. The biggest concern is Fri-day's job figures for Septem-ber, which are certain to show that the rate of job creation returned to the brisk trend evi-

dent this year, from August's temporary slowdown.
The best news was the comment from Dr Subroto, secretary general of the Organisa-tion of Petroleum Exporting Countries, that oil prices could fall to \$5 a barrel if Saudi Arabia carried out its threat to flood the world with excessive production. Industry analysts estimate the kingdom's output

4.3m barrel quota. US oil prices tumbled, losing 55 cents a barrel on Friday alone. West Texas intermediate crude for delivery next month closed the week at \$13.37 a bar-

was around 5.8m barrels a day

in late September, against a

rel, its lowest level since August, 1986. The prospect of lower oil import bills, particularly in West Germany and Japan, weakened the dollar. It was also undermined by Ms Martha Seger, governor of the Fed, who said US trade performance would be hurt if the dollar continued to strengthen.

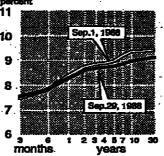
Bond markets broke their usual pattern of following the dollar lower – they saw lower oil prices and weaker export demand helping to reduce US inflationary pressure.

But inflation jitters could

resurface by the end of this week. A strong figure of, say, 300,000 non-farm jobs created in September could be explained away. The reporting month ran five weeks, for example, against August's four. Furthermore, the pur-chasing managers' monthly survey today is expected to show another small decline in the proportion of respondents optimistic about continuing economic expansion.

But several other data substantiate the job figures' evidence of a re-acceleration in the rate of economic growth. The latest unemployment claims were moderate and the index of leading economic indicators rose 0.6 per cent in August while the declines in

US Treasury yields



ths years roo : Technical Data Int. (London)

the previous two months were lessened by revisions.

Against this background, the bond markets' will be running the very substantial risk of reversing their rally of the beginning of September. The long bond yield had fallen by about half a point to just below 9 per cent, largely on the hope that August's weak jobs figures indicated a slowing in the economic growth rate.

The likely pick-up in activity would push up fourth-quarter growth to 3 or 3½ per cent at an annual rate, about a point faster than the Federal Reserve considers the maximum for non-inflationary growth.

Most people on Wall Street

think it unlikely, though, that the Fed will rush to tighten monetary policy to try to cool

the election. Firming action is probable once the voting is over, if the economy holds its course into the last six weeks

of the year.

The Fed signalled last week that it was happy with the level of Fed Funds, the bench-mark rate at which banks lend reserves to each other and one of its prime tools for influencing interest rates. From a pres ent equilibrium level of around 8% per cent, it jumped to around 9 per cent. This was clearly for technical factors, though, and the Fed quickly supplied reserves to bring it back down.

With many investors reluc-tant to buy bonds because of the prospect of higher rates soon, the Treasury had rather a sticky auction last week. Uncertainties still hang over whether the Treasury will be able to offer 30-year bonds at

its next quarterly refunding in November. The price of long bonds has been tight because the conventional wisdom was that Congress would fall to increase the Treasury's issuing authority in time. But with Congress entering its last week before taking an election break, the prospect of more long bonds is rising. Any new supply would most likely put some upward pressure on their

Roderick Oram

End of era as Ross quits Deutsche Bank

"THE END of an era" was the to use the central clearing sysuniversal reaction to the news that Mr Stanley Ross, one of the founding fathers of the Eurobond market, was finally resigning as a managing director of Deutsche Bank Capital Markets to pursue

DBCM said Mr Ross requested early release from his second contract with the house, which he joined in 1985, but will be retaining a seat on the board as a non-executive

"Flamboyant," "idiosyn-cratic" and "ebulliant" are only three of the adjectives used to describe Mr Ross, who has been a committed spokes-man for the Euromarket since its inception.

"To say that Stanley was always at the forefront of mar-ket developments would be an understatement. He may not have the love of everybody in the market but he most cer-tainly has their respect," commented one veteran syndicate

After 12 years of international trading and arbitrage at Strauss Ternbull, Mr Ross first became involved with the fiedgling Eurobond market with its very first issue, the Autostrade deal led by War-burgs. In 1968, while with Kid-der Peabody, he led the move

In 1969, Mr Ross was behind the first attempt to draft trad-ing rules for the Association of International Bond Dealers, of which he remains a prominent member, making a stirring speech in favour of screen-based trading at the 1983 meet-ing in Dallas.

in 1971, he started the first market publication, the contro-versial Week in Eurobonds. With his own firm, Ross & Partners, Mr Ross pioneered pre-market or grey market trading, which transformed the character of the primary mar-

in 1980, he began to promote the idea of screenisted trading, working in the mid-1980s on a concept called AIBDQ, a project which metamorphosed into the AIBD's plans to introduce of the AIBD's plans to promote the promote of the AIBD's plans to promote the plans to promote the promote of the p duce Trax, an automated screen-based trade matching system, expected to be operat100 Tamber

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Today,

Mr Ross's latest vision is of a Eurobond market where trades are executed via satellite. He intends to carry on with city consultancy work to pursue his hobby of sailing and is thinking of writing a book about the history of the

Dominique Jackson

US MONEY MARKET RATES (%) 4 wis 12-month 12-month US BOND PRICES AND YIELDS (%) Yield 20-year Treasny 30-year Treasny New 10-year "A" Financial New "AA" Long stillty New "AA" Long industrial

			FORMALICE 1	#DEX	<u> </u>
December 1983 = 100	29/9/88	Average yield (%)	Last	12 wis	26 wis
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Government, Bonds	144.57 145.66	412 572	144.21 145.39	142.99 145.48	144.86 144.90
Gort-guaranteed Books	147,07	4.62 5.22 5.21 4.88 5.57 6.28	146.23 137.87	147.02 137.40	146.22 137.21
Corporate Bonds		5.57 6.28	144.46 148.21	143,95 145,75	142.65 143.16
Coversment 10-yeart	5.22		5.22	5.24	4.77

FT/AIBD INTERNATIONAL BOND SERVICE 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 1015 | 10 May 100 mod 10

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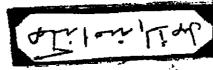
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INTERNATIONAL CAPITAL MARKETS AND COMPANIES

Maxwell acquires 5% of Bouygues

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minique Jacks

By Our Paris Staff MR ROBERT Maxwell, the British media baron, has acquired a stake of just under 5 per cent in Bonygues, the leading French construction and media group whose shares have been at the centre of hec-

tic trading on the Paris But Mr Maxwell claimed in a newspaper interview that his stake in Bouygnes was defen-sive. He said he had acquired the stake to support the Bouygues family from the threat of

a possible hostile raider.

Mr Maxwell is associated with Bouygnes as a share-holder of TF-I, the privatised French television network con-trolled by Mr Francis Bouy-

gues, chairman and founder of the French construction group. Bouygnes shares gained 40 per cent in frantic trading last week before falling back on Friday when Bouygnes amounced if had consolitated in defences against a procelle its defences against a possible hostile bid. Bouygues said it controlled,

with its allies, 45 per cent of the voting rights in the group. Moreover, Credit Lyonnais and the Stez financial group, tradi-tional shareholders of Bony-gues, indicated they would consider increasing their stakes to defend the compa-

ny's interests.

Bouygues has recently been at the centre of repeated takeover speculation since the company is widely expected to pose a big succession problem the day its veteran founder

Alitalia hit by labour disputes By Our Financial Staff

ALITALIA, Italy's state airline, suffered a drop in net-profit in the first half as a result of industrial disputes

and airport congestion.

Net profit for the period fell
to L10.6bn (\$7.6m), against
L21.3bn on turnover which
slipped to L1,591hn from L1,603bn. Operating profit was L44.6bn, compared with

Istituto per la Ricostruzione. Industriale ... around \$5bn.

FRENCH CAR COMPONENTS SECTOR

De Benédetti returns to bid arena

By Paul Bette in Paris

MR CARLO DE BENEDETTI, the Italian financier, is return-ing to the forefront of France's increasingly active takeover scene by launching a bid this week for Epeda-Bertrand Faure, France's second largest car components group.

Terms of the bid by Valeo,

the leading French car components group which came under Mr De Benedetti's management control two years ago, are expected to be unveiled today. They are believed to involve a ahare swap valuing Epeda at around FFr4.2bn (\$659m).

Epeda shares have risen sharply recently and closed hast Friday at FFr930 before they were suspended pending Valeo's bid announcement. At their last price, Epeda's market capitalisation totalled about

FF13.3bn. Mr De Benedetti and Mr

Noel Goutard, the former Thomson managing director recruited by the Italian finan-cier to head Valeo, are widely expected to be in a strong posi-tion to clinch their unsolicited

hid for Epeda. Although Epeda, often rumoured as a takeover target, claimed earlier this year to control about 51 per cent of the voting rights in the company, many of its allies, including the UAP insurance group with a stake of nearly 10 per cent, are expected to back the Valeo offer. Morever, Valeo is understood to have accumulated nearly 5 per cent of Epeda before launching its bid.

The takeover further marks Valeo's efforts to consolidate

its position as one of the leading European car components groups after successful recentr-ing on its core car components businesses under Mr Goutard's leadership since Mr de Bendetti acquired 20 per cent and management control.

Valeo, which acquired con-trol of the French Neiman car components group from Pari-bas last year, has just reported record first-half profits of FFr535m. It expects sales of FFr16bn this year, compared with FFr12.4hn last year. The Epeda acquisition would

increase sales this year to around Fri23bn and give Valeo control of one of Europe's leading car seat manufacturers as well as other car components

and luggage activities.

Epeda also controls the French Luchaire car components group with interests in military equipment, which put Luchaire in the headlines last year in the so-called French

One of the most interesting aspects of the Valeo bid is the role the French state insurance group, UAP, is likely to play.

Under its chairman, Mr Jesu Peyrelevade, recently appointed by the new Socialist Government, UAP is expected to adopt a far more active and aggressive role, with major shareholdings in a constella-tion of French industrial and financial enterprises.

A new approach to its French investment holdings by UAP, which last Friday acquired a 10.7 per cent stake in Sun Life Assurance of the UK after a stock market raid, could have widespread implica-tions for French industry and finance by paving the way for a restructuring of the control-ling shareholdings of several major French enterprises.

London listing for Mitsubishi Bank

THE SHARES of Mitsubishi Bank, Japan's fourth largest, are to be listed on the London Stock Exchange from today. The move extends the trend set last year when Fuji Bank became the first Japanese bank

to list its shares in London. Mr. Hisaya Nara, deputy president, said yesterday that Mitsubishi had sought the listing to underpin its planned international expansion and widen its foreign shareholder base. Only 2 per cent of Mitsubishi Bank's stock is in foreign hands; the bank hopes to raise this to 5 per cent.

By Tom Burns in Madrid

MERGED super bank, the

Banco de Bilbao Vizcaya, (BBV), is to make its interna-tional debut with a public

share offering in New York and in the European markets

valued at around \$350m lead by

Goldman Sachs in the US and

by Salomon Brothers in

Europe.

The Basque banking group said the aim of the flotation was to broaden the interna-

tional base of the united banks,

whose market capitalisation is

Like all major Japanese banks, Mitsubishi has consider-able capital needs as it prepares to meet the new capital requirements set by the recent Basle Agreement,

It has about Y1,000bn (\$7.46bn) in shareholders' funds and expects to increase this by retaining at least Y100bn a year over the next five years. In addition, it has raised Y300bn in equity and convertible notes. Mr Nara declined to say how

Banco de Bilhao and Banco

de Vizcaya, as the two banks were known before the merger,

are the trailblazers behind the

creation of major financial

institutions in Spain.

They formally became a single unit last Saturday. Their

decision to merge was the cata-

lyst for a similar move by

Banco Central and Banco

Espanol de Credito (Banesto), a banking group which lacks the

international exposure of its

Basque rival but which has a virtually blanket penetration

much more capital Mitsubishi will be raising in the equity markets, though he com-

mented: "We will not do anything unfavourable for the Warburg Securities, acting

as brokers to the listing, calculated that Mitsubishi will need Y677.2bn in equity from the Mitsubishi Bank's interna-

tional expansion will empha-sise investment banking and the expansion of its share of the indigenous company loan market in countries like the UK. It recently opened an office in Paris and today opens another in Frankfurt. Mr Nara said it was unlikely

of the domestic market.

Banesto merger.

a one for one basis.

at this stage that Mitsuhishi would enter the retail market outside Japan or make an acquisition in Europe. But he said that the bank was "working on its European strategy"
in light of the European Community's plan for an integrated market by 1992.

Asked if he were concerned

about the image of Japanese banks abroad as unfair compet-itors in the international markets, Mr Nara said he believed that Japan's recent efforts to liberalise access for foreigners to its financial system had lessened these pressures.

Vizcaya plans foreign offerings Eastern Air win on sackings

By Our New York Staff EASTERN AIRLINES has won

a further legal victory in its fight to stave off financial collapse with a federal appeals court raling that it had the right to sack 4,000 employees.

The Washington court overturned a ruling in August by Federal District Judge Barrington Parker that Eastern en The international share offering by Bilbao and Vizcvaya has no precedents in Spain but it is an example that market analysts say is likely to be followed by the future Banco Espanol de Cradito Central, the result of the Centralton Parker that Eastern, an operating subsidiary of Texas Air, the largest US airline com-pany, could not dismiss the workers without bargaining in BBV shares will begin trad-ing on the Madrid Bolsa today and shareholders of either of the banks will be able to obtain stock of the united concern on good faith first with their

Six further **Texas** thrifts rescued

By Roderick Oram in New York

PURCHASERS with no experience in the savings and loan industry have taken on siz insolvent Texas thrifts with total assets of \$4.4bn.

Federal regulators will give them \$2.5bn of financial assistance, more than doubling their commitment so far this year to troubled thrifts in the

In the larger of the two deals, Temple Iuland, a diver-sified industrial company, will lead a group of investors put-ting up \$75m of capital to buy three thrifts with combined

the group includes Tramell Crow, the largest US real estate developer, and Mason Best, a Dallas investment bank. They will inject another \$53m of capital by the start of

In the other deal, Club Cor-poration International, a Dalas company which is the largest golf course operator in the US, is injecting \$25m of capital into three thrifts with comhined assets of \$1.2bn. Mr Robert Dedman, Club's owner and a politically well con-nected Texas Republican, said the thrifts will help finance Club's real estate develop-

ments,
The Federal Home Loan
Bank Board, the thrift industry regulator, had been pushing through rescues at a torrid
pace in the past couple of
months, giving rise to the
term "McDeals."

If was acting readily

It was acting rapidly because it believed new rules mandated by Congress would force it from October 1, the beginning of the Government's new fiscal year, to account in full for the notes it issued as financial exponent in as financial support in

Notes issued previously are being booked only as the tranches are paid out, thus greatly reducing the severe strain on rescue

It turned out last week. however, that the FHLBB had misread the rules. The changes have been in effect for some-time so the recent flurry of notes will be subject to the new accounting princi-

Pioneer Concrete advances by 19% on higher revenues

By Chris Sherwell in Sydney

Services, the Australian-bas building products and resources group, yesterday reported a 19.3 per cent increase in equity-accounted earnings to A\$182.3m (US\$143.5m) for the year to June, on a 10.3 per cent rise in revenues to A\$3.6bn.

Although after-tax operating profits rose just 12.1 per cent to A\$154.6m, they were boosted by a near-doubling of the group's share of associated companies' profit to A\$27.7m. Earnings per share dipped slightly because of a one-for-

five rights issue in July 1987. Pioneer owns 42 per cent of Giant Resources, acquired dur-ing the year as a platform for expanding its gold and base metals businesses, and 49 per cent of Ampol Exploration, an oil and gas exploration group to which it has transferred some of its own interests in the

US and Papua New Guinea. But its core revenue-generating and profit earning busi-nesses are in Ampol, the petro-leum marketing and refining group in which it controls 100 per cent, and its building mate-rials businesses in Australia and abroad, notably Spain,

West Germany, Israel, the US and Hong Kong. Yesterday's results reflected strong demand in Australia and abroad for building products, and good prices for minerals sands products. But Ampol's petroleum operations showed lower profitability, as

did the tranium business. In a significant move, the group announced net extraordinary losses of A\$100m. A loss of A\$143m arose from the reduction in book value of the Giant investment unit, and of A\$64m on the premium Pioneer paid to acquire the remaining 19 per cent of Ampol This was offset by a A\$109m profit on the sale of exploration interests to Ampol

Of Ampol Ex's much-dis cussed interests in the lagifu/ Hedinia area of Papua New Guinea, the group repeated only that successful drilling of several holes had demonstrated that "the area contains significant oil reserves.

Directors declared a fully franked final dividend of 7.5 cents, making a total of 13.75 cents, up 10 per cent on the previous year, but on a larger capital base.

Rauma to raise FM180m for Jamesbury takeover

By Olli Virtanen in Helsinki

RAUMA-REPOLA, the Finnish metal and forest industry group, will raise FM179.5m (\$40m) through a share issue to Finnish banks to finance the company's acquisition of Jamesbury, the valve making subsidiary of Combustion Engineering of the US.

The purchase price of the acquisition, announced earlier this week, has not been disclosed.

The unconventional issue consists of 5m new series I shares with a nominal value of FM10 each and offered at FM35.90. This compares with the latest quote of FM36 at the Helsinki Stock Exchange. Four million of the shares will be restricted to local investors

only. The underwriter will be Kansallis-Osake-Pankki, the Firm-

ish commercial bank, which is understood to target the shares to half a dozen other financial institutions taking part in the financing operation.

The acquisition of James-

bury, a leading manufacturer of rotary valves, doubles the net sales of Neles, Rauma's valve making subsidiary to FM1bn (\$225m) making it the world leader in its field. Neles Valves is one

Rauma's most profitable operations with annual sales increasing at an average rate of 10 per cent a year.

Jamesbury's strong position in the US, which accounts for one third of global valve demand, with further produc-tion units in Canada, West Germany and the UK, will give a big boost to Neles operations

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INTERNATIONAL CAPITAL MARKETS

EUROEDITS

Domestic lending limitations bring back Italian banks

ket after an absence of almost 18 months, raising funds in dollars and swapping the proceeds into low-cost floating-rate lira. The domestic lira market

still does not accommodate loans of longer than five years and is not liquid enough to economically absorb loans of any substantial size, bankers com-

The latest name to join the The latest name to join the Euroloan list is Esibanca, a medium-term lender, which is raising a \$100m six-year loan. The deal, arranged by Chase Manhattan, is structured similarly to a L300bn seven-year loan, drawable in dollars or L-Marks arranged just a few

D-Marks arranged just a few weeks ago for Mediocredito

The deal is drawn in five separate equal amounts and carries a margin of A points over London interbank offered rates (Libor) for the first three years. The margin rises to 25 basis points for the remaining

Fees are 15 basis points for those lending \$15m or more, 12½ basis points for \$10m or more, 10 basis points for \$5m or more and 7% basis points for \$2%m or more.

Bankers noted that fees on the Esibanca loan are slightly more generous than those on the Mediocredito loan, partly reflecting lenders' familiarity with the borrower.

But the differential also reflects the effects of the new Bank for International Settlements rules on bank capital adequacy. Because Mediocre-

ELIROMARKET TURNOVER (\$m)

Primary	Market.							
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Seconda USS Prev Other Prev	ry Market 11,556.1 17,991.5 15,649.5 15,207.8	899.5 917.7 1,052.6 865.4	5,709.4 5,947.7 4,499.5 4,540.9	6,216.6 6,884.3 22,289.2 23,829.6				
US\$ Prev Other Prev	Ca 8,7 10,2 20,4 22,3	703 2 964 3 951 2	roclear 8,605.4 2,201.5 7,365.1 5,744.3	Total 37,375.7 42,497.9 47,850.2 49,064.4				
Week to September 29, 1988 Source: AIRO								

TTALIAN BANKS, painfully a dito is technically a government agency — it is Italy's funding vehicle for the medium-term credit institutes um-term credit institutes -loans to it qualify as sovereign debt which carries no reserve

> Meanwhile, bankers are speculating that the heightened sensitivity to the increased costs of new capital adequacy costs of new cannal adequacy regulations are behind the delay in the signing of National Westminster Bank's \$500m loan for MCA, the US

> entertainment company. NatWest had originally said it extended the signing date to allow banks on the west coast of the US additional time to respond to the offer.

> cap of 16.25 basis points on increased costs that may occur as a result of the capital ade-quacy rules. This is contrary to most recent loan agreements which call for the borrower to pay for any additional reserve costs incurred.

The loan, originally set for signing on September 23, is now due to be siged this week.

Meanwhile, the rush of depositors accounts into UK building societies has apparently not caused the institutions to abandon plans to tap the wholesale markets for funds. And banks remain more than happy to provide the

Credit Suisse First Boston has completed arrangement of a syndicated loan for Bradford and Bingley Building Society, the UK's eighth largest. The loan was oversubscribed and increased to £125m from the original £75m. There is a 15 basis point margin and the borrower has agreed to pay reserve asset costs. Several other building societies are said to be seeking funds in the wholesale markets.

Last week, Walthamstowe Building Society, one of the UK's smallest, signed its £40m five-year loan. Also in the mar-kets are a handful of commerpaper programme for Kajima Europe BV, a unit of the Japanese construction company. The programme, arranged by Kleinwort Benson, carries the guarantee of Sumitomo Bank.

Euromarkets Staff

INTERNATIONAL BONDS

On course to top last year's new issue volume

THE EUROBOND market still harbours plenty of cynics who were first to suggest that last week's flurry of new issue activity had more than a little to do with the fact that the publication of the third quarter eague tables was imminent.

This premise was rejected by more than one syndicate manager, each declaring that the interests of his borrowers were of far more consequence than any petty jockeying for market position.

Whatever the explanation, the latest news is that the Eurobond market is on course to top last year's total issue

The latest statistics from IFR Dispatch appear to show that the market is in fairly robust shape. Most senior market fig-ures concede that the past 12 months have seen a genuine improvement in market sentiment, noting less cynical manipulation and more dialogue between houses, which are finally coming to terms with the need to make their Eurobond business profitable. So, has the growing awareness that new deals must be launched with one eye on the profit and loss line dispensed with the need for this kind of league table?

reague tanier

While the top 10 lead management positions yielded no surprises, the last quarter has seen a few notable developments. Most significant has been the surprising return to favour of the US dollar.

While historically narrow spreads between Eurodollar and Treasury yields and attractive swap opportunities have revitalised the dollar straight sector, the real beneficiary of the US dollar's resurgence has been its Canadian counterpart. Since March the Canadian dollar has furnished an ideal proxy for the US unit. The amount of new Canadian dol-lar paper issued in the first nine months of this year was more than twice the amount launched in the same 1987

Although the Canadian dol-lar has occupied the centre stage for the greater part of this year, the US dollar made good ground during the last

Last week's \$1.8bn of new seven-year dollar straight paper would have had dire implications for the rest of the market only a few months ago.
Yet the three deals – Merrill
Lynch's \$1bn jumbo for Italy,
JP Morgan's \$600m for Alberta
and IBJ's \$200m for the Japan Development Bank - were

also performing well

The dollar-denominated equity-linked sector has had its customary share of ups and downs over the last quarter. One syndicate source at a US house suggested that the recent slowdown in issuance recent showdown in issuance after a period of chronic indi-gestion in the early summer could influence league table positions of the Japanese houses in the next set of data.

● Late on Friday, JP Morgan brought out the largest sterling-denominated, mortgage-backed floating rate note issued to date. A total £220m issue for Mortgage Securities (No 1). The issue comprises a

·-%-12.50 7.60 CSFB Deutsche Bank 8.91 Dalwa J.P. Morgan Merrill Lynch

Morgan Stanley Dresdner Bank

TOP EUROBOND LIKAD MANAGERS

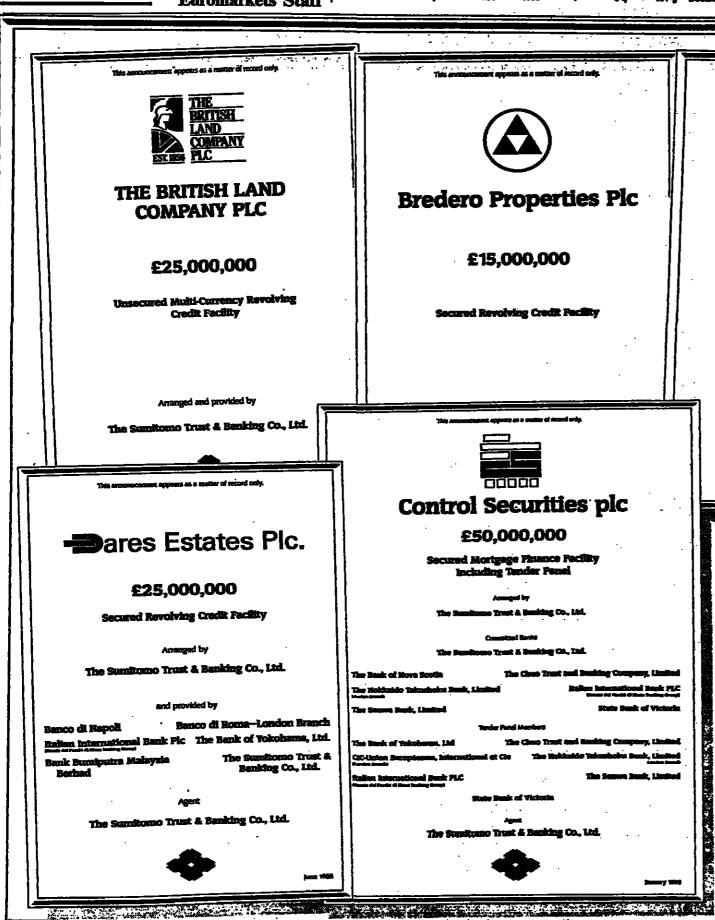
price is par and the coupon on the class A notes will be 30 senior tranche of £200m class A notes which will be rated triple A and a £20m issue of class B notes which will carry a dou-ble A rating. Final maturity is 2023 but the average expected life will be 7½ years. Issue

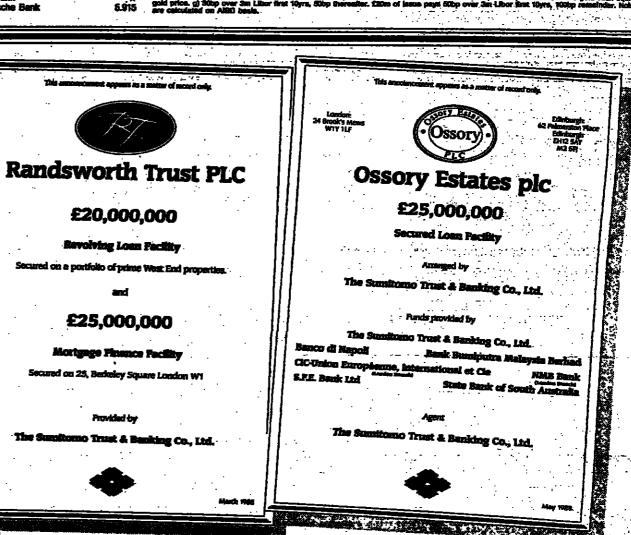
issue met a good reception and will provide a useful injection basis points over the threeof liquidity into an embryonic month London interbank offered rates, rising to 50 basis points after 10 years.

The competitively priced

NEW INTERNATIONAL BOND ICCLIES

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Corporate finance from one of Japan's leading banks in the U.K.

At Sumitomo Trust & Banking Co., Ltd. we have a specialist ream which has been able to build upon the Bank's recognised international expertise in property finance. Our wide experience in this market enables us to supply a diverse range of products to fulfil the requirements of our clients.

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Sumitomo Trust has a tradition of establishing long term relationships with a wide range of companies in a growing number of domestic markets, and this objective has been maintained for a number of years through the Bank's London Branch. With the strength that is provided by having access to the funding base of one of the world's largest banks, we are pleased to offer clients a full range of financial products.

For further information on specific areas of activity please contact the following: Corporate Finance Property Finance Aircraft Finance Stephen Williams Allan Griffiths Andrew Taylor Corporate Dealer



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APPOINTMENTS

NETHERLANDS

The Financial Times proposes to publish this survey on:

10th October 1988

For a full editorial synopsis and advertisement details, please contact:

Mr Richard Willis on Amsterdam 23 94 30/22 56 68

or write to him at:

Financial Times (Benelux) Ltd Herengracht 472, 1017 CA Amsterdam

FINANCIAL TIMES

Reoganisation at Compair Holman

■ COMPAIR HOLMAN has reorganised its sales and marketing structure in readiness for 1982. Mr David Brewer becomes European operations director, Mr Robert Gemmell, UK sales director, will also be responsible for Air Care, Compan's network of local depots, Mr Stephen Hull takes over as UK sales administration manager, Mr David Paul's responsibilities as marketing director will be extended to the rest of the world; and Mr Peter Cutting becomes marketing manager, covering product marketing and marketing communications worldwidwe.

■ Mr Brian Watters has been appointed assistant general manager and head of treasury at SAUDI INTERNATIONAL BANK. He was previously semor vice president and managing director of Bank of Montreal Capital Markets.

TURNER-FAIN has promoted Mr Gordon Abba to commercial director.

■ Lt. Col. William H.L. Gordon, chairman, has retired from the board of RICKMANSWORTH WATER COMPANY. His successor is Mr John M.A. Paterson.

■ GIBBS AND DANDY, builders merchants, has appointed Mr Anthony R. Byfield its commercial director with special responsibility for purchasing. He was Luton project director.

■ Ms Michele Kimche has been appointed product development director at HOLLYWOOD NITES.

■ DUNLOP ARMALINE, part of Dunlop Offshore, has made Mr Ian Brady its technical director. He was technical director at Dunlop Oil and

BUDGIE OFFICE PRODUCTS, part of the Nobo Group, has appointed Mr Ray Bradbury as its managing director. He was formerly general manager.

■ CHEMOXY INTERNATIONAL has appointed Dr Ron Deeble its technical director. He succeeds Mr Iam Smallwood, who is retiring.

Lord Havers is to become chairman of RHM OUTHWAFTE (UNDERWRITING AGENCIES) as soon as Lloyd's approval is given. He will succeed Mr Maurice Hussey who continues as deputy chairman until his retirement early next year. It is also intended that Lord Havers will become chairman of RHM Outhwaite Holdings.

■ Mr Christopher Critchlow

Mr George Stuart-Clarke. formerly a corporate finance director with Hill Samuel, has joined the board of ARLING-TON SECURITIES. He is made managing director in place of Mr Raymond Mould who becomes deputy chairman and chief executive.

is to be appointed to the board of EUROPEAN LEISURE as director responsible for planning and financial control. He is currently group financial controller of Ladbroke Group.

Mr Doug Ash, chief executive of EUROPEAN HOME PRODUCTS, is to become chairman. He succeeds Mr Enrique Foster Gittes, who will remain a non-executive director with particular concentration on southern

■ SCAPA GROUP has

appointed Mr Harry Tuley as group managing director. He has been a main board director since 1976. Mr James Haythornthwaite has relinquished the position of chief executive and is leaving the company.

■ At MULTIPHASE SYSTEMS Mr Michael Hedge has become managing director, Dr Alan Swann, group technical director; Mr Raymond Goodridge, technical director, Mr Stuart Lane, international marketing director; Mr Robert Kingsnorth, production director, Dr Alan Muir, sales and marketing director, and Mr Christopher Colheck, finance director.

Mr H. Keswick and Mr A.W.P. Stenham have been appointed non-executive directors of ROTHMANS INTERNATIONAL.

A.J. ARCHER & CO, the Lloyd's managing agent, has appointed Mr Stephen Adams as a director. He will be underwriter for a new Lloyd's marine excess of loss syndicate No 1125/6 which will commence on January 1.

■ HOGG ROBINSON & GARDNER MOUNTAIN has made Mr Antony E. Snow a non-executive director. He was chairman and chief executive of Charles Barker.

■ Mr John Durston, chairman of LAWSON MARDON GROUP's European flexible

packaging division, has been appointed to the group's main

■ Mr Michael Heelas, managing director of V.A.G. (UNITED KINGDOM), is to retire at the end of the year. He will be succeeded by Mr Richard Ide, the commercial vehicle director.

At AUTOMATED SECURITY (HOLDINGS), the electronic security specialist, Mr Dawson Buck and Mr Chris Boon have been appointed to the main

■ L.C.F. EDMOND de ROTHSCHILD SECURITIES has appointed Mr Jeremy Burn-Callender as managing director within the international equity division.

■ Mr Anthony Brown has been made director, corporate finance of RIGGS A.P. BANK.

■ Mr Tim Gold Blyth, a director of BET, has joined the board of BET subsidiary United Transport International. He also becomes chairman of Tourism International, the travel services arm of UTI, on November 1. He will succeed Mr John Clymo who retires in December.

HUNTERPRINT has appointed Mr Alan Titford to the main board. He was managing director of Hunterprint forms division.



RELATIONAL TECHNOLOGY INTERNATIONAL has appointed Mr Don Taylor to the newly-created post of director, Continental Europe. He was director of international sales and marketing.

■ CARADON CELUFORM, a member of Caradon, has appointed Mr Kieran Hehir as sales and marketing director.

■ Mr Andrew Mistygacz, marketing manager, has become marketing director at PHILPOT DAIRY

■ Mr Paul Wright has been appointed managing director of WALTON CONTAINER TERMINAL, a member of Furness Withy (Terminals).

Landesbank

NOTICE OF A MEETING of the holders of Landesbank Stuttgart Girozentrale A\$30,000,000 14 per cent. Notes due 1991

A\$30,000,000 14 per cent. Notes due 1991

NOTICE IS HERESY GIVEN that a biseting of the holders (the "Notesholders") of the above-mentioned Notes (the "Notes") of operand by the London branch (the "Issuer") of Landesbank Stuttgert (Brossakrale (the "Bapk") (previously known as Waserbanbergische Konsungste Landesbank Givo-zentasie) will be held at 9,00 m.m. (London time) on 25th October, 1968 at the offices of Hambros Bank Limited at 61 Tower Hill, London ECSM 44th Aor the purpose of considering and, if thought fit, pessing the following Resolution which stokens of the Fiscal Agency Agreement dated 2nd October, 1988 made between the leaser. Hambros Bank Limited (the "Fiscal Agent") and others raining to the Notes.

Where the context so necole, the expressions the "leaser" and the "Bank" and liabilities of the Bank and of any other person.

The Resolution, if passed, self modity, letter alia, the "Fernat and Conditions of the Motes, the "Conditions") by the leaser fine of the Agent and such other person.

The Resolution, if passed, self modity, letter alia, the "Fernat and Conditions of the Motes, the "Conditions") by the leaser from the consect of the Notes and Conditions of the Motes the "Conditions") by the leaser from the consect of the Notes and Conditions of the Motes of the Conditions of the substitute of the Notes and Conditions of the Motes of the Conditions of the Sank and the Bank Encapporated or established outside the Federal Republic of Germany as debtor under the Notes and Congonis and the Motes and Congonis and the Motes their general to the Notes and Congonis and the Motes the substitute outside the reduced personal to the motes of the Notes haing announced the the substitution of the Notes haing announced the substitution of the Notes haing announced the substitution of the Motes their proposition of my text or other consecutions of the substitution of the substitution of the substitution of the substitution of the proposition of my text or other consecutions and desired or exceeding the substit

whill be entitled to claim/from the finiter or the Bank or the substituted or any lockermification or payment in respect of any text or other cay lockers in the proposed form such substitution. Full details of the proposed form and the Edinardismy Resolution are coronined in an Engineration and the Edinardismy Resolution are coronined in an Engineration and the Edinardismy Resolution are coronined in an Engineration are severable for conjugate the process of any available for conjugate to by the factor dated 2nd October, 1988, copies of a parameters for the Notice typediscal below. The Explanatory Stateount string, internally, (1) the factor of the additional Confidence of Causantee by the factor of the Sack in, or substantially is, the instinct in the beginning in control of chips. effected in accordance with the Conditions as no modified (and having attached Conditions is, or substantially in, the term which would apply following any such substitution, which will also include a provision enabling further substitutions of debtor to be effected).

er substitutions of debtor to be effected). The Resolution to be proposed at the Meeting is as follows: "THAT this Meeting of the holders (the "Notestroiders" of the ASSO,000,000
14-per cent. Notes due 1901 (the "Notes") of the London branch (the
"sours") of Landesbark Statigart Gircowtrale (the "Senis") previously
known as Whamperstatigache Rommunale Landesbark Gircowtrale)
leased sinder a Fiscal Agency Agencenet (the "Fiscal Agency Agreement")
dated 2nd October, 1906 made between the leaser, Hambroo Bank Limited
as Fiscal Agent file "Fiscal Agency" and others hambly.

(1) assents to the modification of the Terms and Conditions of the Notes (as
printed on the reverse thereof and in the Second Schedule to the Fiscal
Agency Agreement) proposed in paragraph (e) of the Explanatory
Statement issued by the leaser and dated 3rd October, 1988, a copy of
which has been produced to this Mageling and initialised by the Chairman
haved for the purpose of identification,
(2) seconds every modification, abrogation, welstion, compromise of, or
errangement in respect of, the rights of the Noteshalders and the holders
of the Coupons appartishing to the Noteshalders and the Indians
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of the Coupons appartishing to the Noteshalders and the Indians
of the State of the Indians in Fermi and Conditions of the
House as a modified; and
(3) authorises the according of a Supplemental Fiscal Agency Agreement
in the form of the deat produced to the Magelia, and for the purpose of
ideatification referred to in puragraph (1) of the Resolution.

The otherwise of the State of the Indians in the State of the Indians in the Indians. EXTRACROMARY RESOLUTION

The attention of bioteholders is particularly drains to the quonant required for the bleeting and for an adjourned bleeting which is set out to paragraph 2 of "voting and Guorum" below.

Copies of the Fiscal Agency Agreement flictuding the currently applicable Goodbook, and of certain other relevant documents are available for lespection by Noisholders at the specified offices of the Agents for the Noise specified below.

Critic Notes specified below.

VCTING AUES QUORIUM

L. A Hoteholder wishing to stead and vote at the Meeting in person must produce at the Meeting either the Holes, or a valid voting certificate or a Notebooker sol wishing to eitherd and vote at the Meeting in person may either deliver his Notes or voting certificate(s) in the previous whom he wishes to attend on his behelf or give a voting instruction form a voting instruction form obtainable from the specified office of say of the Agents specified below) instruction for a voting instruction.

Notes may be deposited at this time being 48 hours before the attent appointed for holding the Meeting for, if applicable, any adjourned such Meeting but not themselfer with any Agent or to the statisticion of the Fiscal Agent, held for the Fiscal Agent or eafer or usefur its content by Euro-clear or CEDEL S.A.; for the purpose of obtaining voting certificates or glving voting lastructions in second of the silvent helding. Notes so deposited or held will be released at the obtohalon of the Meeting (or, if applicable, any adjourned such Meeting) or upon sustances of the voting certificates or being a proper protect and holding Notes or voting certificates or being a proper protect and holding Notes or voting or milicates or being a proper clear majority of the principal errount of the Notes for the Isan being outstanding. If attains

The quarter required at the Meeting is one or more persons present holding Notes or voting certificates or being a pracy or produce and holding a representing in the aggregate not less than a clear majority of the principal amount of the Notes for the time being-outstancing. If within half are hour from the time appointed for the meeting a quarter is not present at the Assetto, the Meeting, will be adjourned and the fortunationary Resolutions will be considered at an adjourned Meeting (notice of which will be given to the Noteshottens). The quotum required to consider the Extendedinary Personalization will be such as such as adjourned Meeting the hour or more persons present in person holding one or more Notes or voting certificates or held or a remeasure of the Notes on held or a remeasure of the Notes or answerted the Notes on held or a remeasure of the Notes on held or a remeasure of the Notes or the Notes or

consider the Extraordinatry Resolution at such stradigurated Meeting willbe two or more persons present in person hadring one or more persons present in person hadring one or more better or voting certificates or held or represented by them;
Every question automated to the Meeting or the adjourned Meeting will be decided on a show of hands unless a poll is daily demanded by the Chairman of the Meeting or by one or more persons present in person and hadring one or more Notes or woing certificates or telegat proxy or prosess and hadring or representing in the aggregate out less thin one-fitteth part of the principal amount of the Notes: then outstanding, one-fitteth part of the principal amount of the Notes: then outstanding, one-fitteth part of the principal amount of the Notes: then outstanding, one allow of hands everly person who is present in person and produces a Note or voting certificate or is a proxy shall have one vote. On a poll avery person who is no present shall have one-vote in respect of every Note so produced or represented by the voting certificate so produced or interpretate of the Meeting that a resolution has been certified or lost shall be voticlusive evidence of the fact without proof of the number or proposition of the Netter factored in ferour of or against auch resolu-tion.

tion.

4. To be petced, the Exhaundinary Resolution requires a majority in fewore consisting of not less then three-quarters of the persons voting thereon upon a show of teach or, if a poll is duly demanded, then by a teajority consisting of not less than three-quarters of the votes given on such poll. If presend, ther Exhaundinary Resolution will be binding upon all the Notehpiders, whether or not present at such Meeting and whether or not voting, and upon all Couporitoiders.

AVAILABLITY OF DOCUMENTS Copies of the Piecel Agency Agreement may be inspected, and copies of the Explanatory Statement, volting certificates and other documents reterred to above may be obtained, by Noteholders from the specified office of any of the Agreement of the Technology.

ANA PAYING AGENTS: Kredistnerk S.A. Lurembourgeoise, 43 Bookerard Royal, L-2065 Lurembourg, Morgan Guaranty Trust Company of New York, Avenue des Arts 35, 8-1040 Brussels.

the Agents gleen below. FISCHE AGENT: Hambout Bank Limited, 41 Tower Hill, London, ECON

NOTICE OF A MEETING of the holders of Landesbank Stuttgart Girozentrale London Branch A\$35,000,000 14 per cent. Notes due 1991

Landesbank

Stuttgart

A\$35,000,000 14 per cent. Notes due 1991

NOTICE IS REPERY GIVEN that a Meeting of the holders (the "Noteholders") of the above-manifored Notes (the "Note") convened by the London branch (the "Issuer") of Landesbank Stuttgart Giocentrate (the "Bank") (previously known as Westlembergische Kommaniste Landesbank Glowentrale) will be held at 10.00 a.m. (London time) on 25th October, 1988 at the offices of Hambros Bank Lindesbank Stuttgart Giocentrale (the "Bank") and the landesbank Shak Lindes at Tower His, London ECSN 44th for the purpose of considering and, if thought tit, pessing the following Resolution which will be proposed as an Extraordistry Resolution in accordance with the provisions of the Febral Agency Agreement dated 19th December, 1986 made between the Issuer, Hambros Bank Linded (the "Ferral Agent") and others missing to the Notes.

Where the context so paraths, the supressions the "Issuer" and the Temas and additional entry successor company which recessed to the cipits and liabilities of the Sank and of any other person is connection with the merger of the Bank and stuck other person.

The Resolution, if passed, will modify, inter-alis, the Temas and Conditions of the Notes (the "Conditions") by the Invention of an additional Condition pursuant to which the Issuer may, wethout the consent of the Notes and Conditions of the Notes (the "Conditions") and the Economic of the Sank rout the todiscions and fabilities under the Notes and Coupons and the discharge of the Issuer may a debtor under the Notes and Coupons and the Agent and other amounts in respect of the Notes and coupon and fabilities under the Notes and Coupons, subject to the payment of principal, interest and other amounts in respect of such substitution for Individual Moteholders are grant to the consequences of such substitution for Individual Moteholders or Couponholders meeting from their being for any purpose domisided or resident in, or otherwise connected with, or subgest to the fabrication of any local middestant in the Couponholder

to lifer will be excited to claim from the laster or the State or the substituted fabors any Indemnification or payment in respect of any tax or other consequence entirely from such exhibitation.

Full details of the beckground is, and the veneral for the proposed exceptions and the Extraordinary Fleshellion are constituted in an Explanation should be the exhibitation and the Extraordinary Fleshellion are constituted in an Explanation should be substituted in an Explanation are available for collection by Notebotices at the specified offices of he Agents for the Notes specified before. The Explanation Statement to halve it is not the specified offices of the Conditions if the Explanation in the Explanation is the Explanation in the Explanation the Conditions if effected in accordance with the Conditions as so modified (and having estached Conditions in, or substantially in, the form which would apply following any such substitution, which we in notions a provision anables further exhibitions of debtor to be effected).

The Resolution to be proposed at the Meeting is as follows:

EXTRAORDINARY RESOLUTION

"THAT this Meeting of the holders the "holdebulders" of the ASS5,000,000

14 per cent. Notes due 1931 (the "holdes") of the London branch (the "lasser") of Lendon branch (storage the "lasser (the "lasser (the "lasser (the "lasser (storage the lasser) of Lendon to the Storage the Storage (the "lasser (the "lasser (the Lendon to the December, 1986 that a between the lasser, Hambots Benk (knike) as Fiscal Agent (the "Fiscal Agent") and others, hereby (the lasser of the Terrus and Conditions of the Notes (as principle of the meeting the principle of the Period (the Period of the Notes (as principle of the December of the December of the Cospons appearsh (the Resolution of the Notes against the Seat is broked in, or resulting from the Notes against the Seat of the Cospons appearsh (the Cospons appearsh (the Notes (the N

The miserion of Notsholders is particularly drawn to the quorum juined for the Meeting and for an adjustmed Meeting which is set out in regressly 2 of "Voting and Cocumin" below.

Copies of the Flecal Agency Agreement (including the committy simple Conditions) and of certain other calevant documents are allable for inspection by Noteholders at the specified offices of the Agents the Notes specified below.

O'THING AND CALOPHISM

A Nosholder wishing to stend and vote at the Meeting to person caust, produce at the Meeting either the Noses, or a valid voting cardificate or valid voting cardificates issued by any of the Agents specified below relative to the Noses, in respect of which he wishes to with.

A Nosholder notwishing to attend and vote at the Meeting in person who with the test of the Noses or voting cardificate(s) to the person whom he wishes to attend on his behalf or give a voting instruction from obtainable from he specified office of any of the Agent specified below; instructions an Agent to appoint a proxy to stend and vote at the Meeting in accordance with this instructions. Hotel may be depended until the time leng 48 hours before the first appointed for indicing the Meeting (or, if applicable, any adjourned such Meeting to the results and the results are of the test leng 48 hours of the Flacet Agent held to the Flacet Agent's order or under its control by Euro-class or deling voting instructions to sempect of the relevant Meeting. Notes so deposited or held with he released at the conclusion of the Meeting (or, if applicable, any adjourned such Meeting) (or, if applicable, any adjourned such Meeting) is conversed, the Meeting is one time than 48 hours before the time ten which the Meeting is one or more persone present. The sportum required at the Meeting is one or more persone present.

such Meeting is convened, the voting instruction receipted issued in sespect fleened.

The quorum required at the Meeting is one or more persons present holding holes or voting certificates or being a promy or process and holding or represently in the aggregate not less than a clear resjority of the principal amount of the Notes for the fine-being-containting, it within half as hour from the time appointed for the meeting a quorum is not present at the Meeting, the Meeting will be adjourned and the Extraordinary Resolution will be considered at an adjourned Meeting (notice of which will be given to the Noteholders). The quorum arquired to consider the Extraordinary Resolution at such an adjourned Meeting indices finishes or being a proxy or produce seasons Notes or voting certificates or being a proxy or produce seasons the principal amount of the Notes so held or representable by them.

Every question submitted to the Meeting or the adjourned Meeting will be decided on a show of hands under under a poll is duty devanded by the Chairman of the Meeting or by one or more persons present in person and holding one or more Notes or voting certificates or being a proxy or groups and holding one or more Notes or voting certificates or being a proxy or groups and holding one or more Notes or voting definitions or being a proxy or groups and holding one or more Notes or voting definitions or being a proxy or groups and holding one or more Notes or voting definitions or being a proxy or groups and holding one or more Notes or voting definitions or being a proxy or groups and holding one or more Notes or voting definitions or being a proxy or groups and holding or represent or the approximation or less than one more for the principal amount of the Meeting or proxy or present in person and produces.

Short or voting certificates or is a proxy shall have one some and portiones.

On a strong hands every persons amount of the Rolles then outstanding. On a strong hands every person who is present in person and polydeness a Note or voting certificate or is a prany shall have one rote. On a poli-erary person who is an present shall have one vote in respect of every Mosses produced or represented by the voting certificate on produced. lots an produced or represented by the voting certificate an produced or national produced or represented by the voting certificate an produced or hashest of the Meeting that a resolution has been carried or fest shall be conclusive evidence of the fact without proof of the number or reportion of the votes recorded in theour of or against such resolu-

ed, the Extraordinary Resolution requires a majority in lavour To de pessed, the Extraordinary Resolution requires a majority in landur consisting of not less than three-quarters of the peacons when thereon upon a show of hands or, if a poll is duly demanded, then by a majority consisting of not less than three-quarters of the voice given on such poll. If passed, the Extraordinary Resolution will be blocking upon all the Modelpiders, whether or not present at such Meeting and whether or not voice, and zone all Coursonbetters.

AVAILABILITY OF DOCUMENTS AVAR_ABILITY DF DOCUMENTS

Copies of the Floral Agency Agreement may be inspected, and copies of the Explanatory Statement, voting conflicates and other documents referred to above may be obtained, by Noteholders from the specified office of any of the Agents given below.

PISCAL AGENT: Hambros Bank Limited, 41 Tower Hill, London, ECSN -944.
PAYING AGENTS: Kradierbank S.A. Lustenbourgeoise, 43 Boulevard
Royal, L-2355 Lustenbourg, Morgan Gueranty Trust Company of New York, Avenue des Ads 35, 8-1040 Brussels.

used by Laudesbank Statigert Girusastale through its London anch which has applied to The Securities Association and is interim thorised under the Fluencial Services Act 1988.

Landesbank Stuttgart

NOTICE OF A MEETING of the holders of Landesbank Stuttgart Giroz London Branch

A\$50,000,000 13% per cent. Notes due 1992

London Branch

A\$50,000,000 1334 per cent. Notes due 1992

NOTICE IS HERESY GIVEN that a Meeting of the holdest the "Noteholders" of the above-mentioned Notes (the "Notes") convented by the London branch (the "Issuer") of Lendesbank Stattgart Girozentrale (the "Bank") (previously known as Wuertlambergische Kommunale Landesbank Girozentrale) will be held at 11.00 a.m. (London thee) on 25th Ootober, 1998 at the offices of Handron Bank Limited at 41 Tower Hill, London EC3N 414 for the purpose of considering and, it thought the peaking the following Resolution which will be proposed as an Extraordinary Resolution in accordance with the provisions of the Fiscal Agency Agreement dated 2nd July, 1987 made between the besure, Kreightbank S.A. Lucambourgeolas (the "Fiscal Agenc") and others relating to the Notes, as amended.

Where the combust so permits, the supressions the "issuer" and the "Bank" stall include any successor company which successful to the rights and fabilities of the Bank and of any other person.

The Resolution, if passed, will modify, inter alle, the Terms and Conditions of the Notes (the "Conditions") by the insertion of an additional Condition pursuant to which the issuer way, without the consent of the Notes (the "Couporsholders" and the "Coupors", respectively), effect the substitution of a direct or indirect subsidiary of the Bank toyn their boligations and the discharge of the jesuer and the Bank from their boligations and the discharge of the jesuer and the Bank from their boligations and the discharge of the jesuer and the Bank from their boligations and the discharge of the jesuer and the Bank from their boligations and the discharge of the jesuer and the Bank from their boligations and the discharge of the jesuer and the Bank from their boligations and the discharge of the jesuer and the Bank from their boligations and the discharge of the secondary resolution of the Notes being announted to have regard to the accordance of such substitution for individual Noteholders or Couponholders resi

effected in accordance with the Conditions as so modified (and having stached Conditions in, or substantially in, the form which would apply following any such substitution which will site include a provision enabling texture substitutions of debtor to be effected). itutions of debtor to be effected). Iolution to be proposed at the Meeting is an follows:

EXTRACEDIMARY RESCLUTION
"THAT this Meeting of the holders (the "Noteholders") of the A\$50,000,000
13 her cert. Notes due 1992 (the "Noteholders") of the London branch (the "Issue") of Landesback Statigar! Ghrzarizate (the "Bank" previously known as Waestenbergische Kommunike Landesback Girozentrale) issued under a Fiscal Agency Agreement (the "Fiscal Agency Agreement") dated 2nd July, 1967 made between the issuer, Krediethank S.A. Lucemburgooise as Fiscal Agent (the "Fiscal Agent") and others, as amended, hearby

bourgeoise as Fiscal Agent (no reverse and Conditions of the No hereby:

(1) assess to the modification of the Terms and Conditions of the No Hamber of the North Agent of the North Age Agency Agreement) proposed in paragraph (b) of the E Statement issued by the issuer and dated 3rd October, 1986

Statement issued by the issuer and dated 3rd October, 1986, a copy of which has been produced to this Meeting and initiated by the Cheiman beset for the purpose of Identification; variation, compromise of, or amagement in respect of, the dights of the Notaholders and the holders of the Coupons appealating to the Notaholders and the holders of the Coupons appealating to the Notaholders and the Bank involved in, or resulting from, the modification referred to in paragraph (1) of this Resolution or any substitution of debtor made pursuant to, and in accordance with, the Terms and Conditions of the Notes as so modified; and

(3) authorises the suscusion of a Supplemental Flecal Agency Agreement in the form of the draft produced to this Meeting and for the purpose of identification signed by the Chairman hereof to give effect to the modification referred to in paragraph (1) of this Resolution."

The attention of Notsholders is parameter which is we required for the Meeting and for an adjourned Meeting which is we paragraph 2 of "Voting and Cuorum" below.

Copies of the Fiscal Agency Agency Agenters, as amended, (including the currently applicable Conditions) and of cytisks other relevant documents to the meeting by Notsholders at the specified offices of the tion of Noteholders is particularly drawn to the quorum a Meeting and for an adjourned Meeting which is set out in

Remarks for the Notice specified below.

VOTING AND QUORUM:

A Noteholder wishing to attend and vote at the Meeting in person must, produce at the Meeting either he Notes, or a valid voting certificates or valid voting certificates stated by any of the Agents specified below relative to the Notes, or report of which he wishes to othe.

A Noteholder not wishing to attend and vote at the Meeting in person may alther deliver his Notes or voting certificate(s) to the person whom he wishes to attend on his behalf or give a voting instruction (on a voting instruction form obtainable from the specified office of any of the Agents specified below) instructions and year to appoint a proxy to attend and vote at the Meeting in accordance with his instructions.

Notes may be deposited until the time being 48 hours before the time appointed for holding the Meeting (or, if applicable, any adjourned such Meeting) but not thereafter with any Agent or (to the satisfaction of the Placel Agent) held to the Fiscal Agent's order or notice the control by Euro-clear or CEDEL S.A. for the purpose of obtaining witing certificates or giving voting instructions in respect of the relevant Meeting. Notes so deposited or held will be released at the conclusion of the Meeting (or, if applicable, any adjourned such Meeting (or, if applicable any adjourned such Meeting, so the or which the Meeting (or, the pulpose of the Meeting) are proposed for the order of the Polycable, any adjourned such Meeting to convented, the voting instruction receipting leased in respect thereof.

The quorum required at the Meeting is one or more persons present.

respect thereof.

The ground required at the Meeting is one or more persons present holding Notes or woring certificates or being a proxy or prodes and holding or representing is the aggregate not less than a clear regionly of the principal amount of the Notes for the time being outstanding. If within half an hour from the time appointed for the meeting a querum is not present at the Meeting, the Meeting will be adjourned and the Edwardsamy Resolution will be considered at an adjourned Meeting (notice of which will be given to the Notesholdiens). The quorum required to consider the Edwardsamy Resolution at such as adjourned Meeting will be adjourned Meeting the Meeting will be adjourned Meeting will be adjourne (material reside was eight and the reconstruction). In appurpat we consider the Extraordinary Resolution at such an adjourned Neeting will be two or more persons present in person holding one or more Notes or voting perflictates or being a proxy or prodes whatever the principal amount of the Notes so teld or represented by them.

Every question submitted to the Meeting or the adjourned Meeting will be decided on a show of hande unless a pall in duly demanded by the

Chairman of the Meeting of by one or more persons present in person and solding one or more Notice or voting definitions or being a proxy or process and holding or representing in the aggregate not less than one-filtreth pert of the principal amount of the Notes them outstanding. il amount of the Nove-on who is present in person and provision and have one vote. On a pos-of each Af one-fillieth part of the principal amount of the Notes then outstanding. On a show of hands every person who is present in person and produces a Note or voting perfilicate or is a proxy shall have one vots. On a post every person who is so present shall have one vots in respect of each AS 1,000 is principal amount of the Notes so produced or represented by the voting cartificate(s) so predoced or intraspect of which he is a proxy. On a show of hands a declaration by the Chairman of the Meeting that a resolution has been cartied or but shall be conclusive evidence of the furnity of the Chairman of the Meeting that a resolution has been cartied or but shall be conclusive evidence of the furnity of the Properties of the sumber or proportion of the votes recorded in

per of or against such resolution. Se passed, the Extraordinery Resolution requires a majority in taxour To be passed, the Extraordinery Headingon requires a majority in theoric consisting of not less than three-questions of the persons voting thereon upon a show of hands or, if a polit is duly demanded, then by a majority consisting of not less than three-questions of the voting given on such polit is passed, the Extraordinery Resolution will be binding upon all the Notebolders, whether or not present at such Meeting and whether or not woting, and open all Couponholders.

AVAILABILITY OF DOCUMENTS Copies of the Fiscal Agency Agreement may be inspected, and copies of the Explanetory Statement, voting certificates and other documents referred to above may be obtained, by Noteholders from the specified office of any of PISCAL AGENT: Kredisthank S.A. Laurabourgeoise, 43 Boolevard Royal,

L-2555 Lizerabourg.

PAYING. AGENTS: ANZ Merchant Bank Limited, 65 Holsom Vieduct, London SC:1A-ZEV, Morgan Guaranty Trust Company of New York, Avenue dea Arts 35, B-1040 Brussels.

issued by Landesbank Statigert Girazestrale through its London Stanch which has applied to The Securities Association and is interim authorised under the Financial Services Act 1988.

BADISCHE KOMMUNALE LANDESBANK **GROZENTRALE** NOTICE OF A MEETING

of the holders of . Badische Kommunale Landesbank Girozentrale

A\$35,000,000 14% per cent. Notes due 1991 NOTICE IS HEREBY GIVEN that a Meeting of the holders (the "Noteholders") of the above-mentioned Notes (the "Notes") convened by Badische Kommunele Landesbank Géroantrale (the "Bank") will be held at 2.30 p.m. (London time) on 25th October, 1988 at the offices of Hassbros Bank Limited at 41 Towar Hill, London ECSN 4HA for the purpose of considering and, if thought fit, pessing the following Resolution which will be proposed as an Extraordinary Resolution in accordance with the provisions of the Piscal Agency Agreement dated 10th October, 1985 made between the Bank and Kredesbank S.A. Luxembourgeoise (the "Fiscal Agent") and others relating to the Notes.

Extraordinary Hesolution in accordance with the provisions of the right Agreement detail of the October, 1986 made between the Bank and Kredestenik S.A. Luxembourgeoise (the "Fiscal-Agent") and others relating to the Notes.

Where the context so permits, the expressions the "Bank" shall include any successor compeny which successors the Heart and fabilities of the legist and of any other person in connection with the merger of the Bank and such other person.

The Resolution, if passed, will modify, inter alia, the Terms and Conditions of the Notes (the "Conditions") by the insertion of an additional Condition pursuant to which the Bank may, without the consent of the Notesolders or the holders of the coupons apperturing thereto (the "Coupons", respectively, effect the substitution of a direct or indirect subsidiary of the Bank may without the consent of the Coupons and the discharge of the Bank man its collegiators and listilities under the Notes and Coupons, subject to the payment of principal, interest and other amounts in respect of the Notes being unconditionally and innovably guaranteed by the Bank run its bodies under the Notes and Coupons, subject to the payment of principal, interest and other amounts in respect of the Notes being unconditionally and innovably guaranteed by the Bank run its bodies under the Notes and Coupons, subject to the payment of principal, interest and other amounts in respect of the Notes being unconditionally and innovably guaranteed by the Bank or its London Branch.

Noteinafers should note, in particular, that, in connection with any substitution for individual floteholities or Couponholders, subling from their being for any particular bertinged Conditions, the Bank was not be independent of the two payment in respect of any tax or other consequence individual and the sentitude to claim from the Bank or the substitution for individual floteholities or Couponholders at the specified dictions of the Landardinary Resolution is necessarily for the proposed and Conditions at the Ed on in, or substantistly in, the form which would apply following any bestudion, which will also include a provision enabling further forts of obtoo to be effected).

Resolution to be proposed at the Meeting is as follows:

"THAT this Meeting of the holders (the "Noeholders") of the ASS5,000,000 14% per cent. Notes due 1991 (the "Noeholders") of Badische Kontresnele Landeebank (the Bank) issued under a Floral Agency Agreement (the Floral Agency Agreement") disted 10th October, 1988 mode between the Bank and Kredietbank S.A. Lusembourgeoide as Fiscal Agent (the "Fiscal Agency") and others benefit:

Bank and Krediebank S.A. Luxembourgeoise as researchers.

Agent") and others hereby:

(1) assents to its modification of the Yerms and Conditions of the Notes (as printed on the reverse thereof and in the First Schedule to the Flacal Agency Agreement) proposed in paragraph (a) of the Explanatory Statement issued by the Bank and dated 3rd October, 1988, a copy of which has been produced to this Meeting and Initiatied by the Chairman hereof for the purpose of identification;

(2) sanctions every modification, abrogation, vertetion, compromise of, or arrangement in respect of, the rights of the Noteholdecs and the holders of the Coupons appertaining to the Notes against the Bank involved in, or resulting from, the modification returned to its paragraph (1) of this Resolution or any substitution of debour needs pursuant to, and in

and authorises the execution of a Supplemental Fiscal Agency Agreement in the form of the draft produced to this Meeting and for the purpose of identification eigned by the Cheiman hereof to give effect to the modification elemed to in pengraph (1) of this Resolution.

The attention of Noteholders is particularly drawn to the quorum quired for the Meeting and for an adjourned Meeting which is set out in regraph 2 of "Voting and Cuotron" below.

Copies of the Fiscal Agent Agreement (including the currently application conditions) and of certain other relevant documents are available for toection by Noteholders at the specified offices of the Agents for the less specified below.

VOTING AND DUORUM

VOTING AND CHORLIM

1. A Nossholder withing to attend and vote at the Meeting in person must produce at the Meeting is stirer the Plotes, or a valid voting cartificate or valid voting cartificate stand by an Agent relative to the Notes, in respect of which he wishes to vote.

A Notsholder not wishing to attend and vote at the Meeting in person may either deliver his Notes or voting oscillicate(s) to the person whom he wishes to attend on his behalf or give a voting instruction for a voting instruction form obtainable from the specified office of any of the Agents, specified below) instructing an Agent to appoint a purely to attend and vote at the Meeting in accordance with his instructions.

Notes may be deposited until the time being 48 hours before the time appointed for holding the Meeting (or, it applicable, any adjourned such Meeting) but not thereafter with any Agent or (to the satisfaction of the Facal Agent's order or under its control by Euro-clear or CEDEL S.A., for the purpose of obtaining voting centificate or giving voting instructions in respect of the relevant Meeting, for, it applicable, ary adjourned such Meeting (or, it applicable, ary adjourned such Meeting) to upon surrender of the voting certification) or, being not less than 48 hours before the time for which the Meeting (or, it applicable, any adjourned such Meeting) is convened, the voting instruction receiptly issued in respect thereof.

2. The current required at the Meeting is one or more persons present

respect thereof.
The quarant required of the Meeting is one or more persons preholding Notes or voting certificates or being a proxy or proxies
holding or representing in the aggregate not less than a cleer major
the principal amount of the Notes for the time being outstanding, it
haif an hour from the time appointed for the meeting a quorum is
present at the Meeting, the Meeting will be adjourned any
consider the Meeting, the Meeting will be adjourned and
(notice of which will be given to the Noteholders). The quorum require
consider the Extraordinary Resolution at such as adjourned Meeting Noteholdens). The quorum required stion at such an adjourned Meeting

(notes of which will be given to the Notencidens). The quicken required so consider the Extraordinary Resolution at qual ha editomed Meeting will be two or more persons present in person bolding one or more Notes or voting certificates or being a proxy or produce whetever the principal amount of the Notes so held or represented by them.

I. Every question submitted to the Meeting or the adjourned Meeting will be decided on a show of bands unless a poll is duly demanded by the Chairman of the Meeting or by one or more persons present in person and holding or more Notes for voting certificates or being a proxy or prodes and holding or representing in the aggregate not less than one-fibilish part of the principal sanctury of the Notes then outstanding. On a show of hands every person who is a prosent hopeson and produces a Note or voting certificate or is a proxy shall have one use. On a poll every person who is an operant shall have one vote in respect of every Note so produced or representant by the voting certificate so produced or in netpect of which he is a proxy. On a show of hands a declaration by the Chairman of the Meeting lists a resolution has been carried or lost shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.

4. To be pessed, the Extraordinary Resolution recules a melority in favour consisting or not less than three-fourths of the persons voting thereor upon a show of hands or, if a poll is duly demanded, then by a majority consisting of not less than since-fourths of the voting given on such poll. It passed, the Extraordinary Resolution will be binding upon all the Motaholders, whether or not present at such Meeting and whether or not voting, and upon all Couponholders.

AVAILABILITY OF DOCUMENTS Copies of the Fiscal Agency Agreement may be inspected, and copies of the Explanatory Statement, volting certificates and other documents referred to above may be obtained, by Noteholders from the specified office of any of the Agents given below.

FISCAL AGENT: Kradiotowsk S. A. Lucembourgeoise, 43 Boulevard Royal, FISCAL AGENT: A INTERNATION OF THE PROPERTY OF

issued by Sedieche Kommutele Landesbank Girozeotrale strough its Londes Brasch which has applied to The Securities Association and is intering authorised under the Phancial Services Act 1986.

BADISCHE KOMMUNALE LANDESBANK **GROZENTRALE**

NOTICE OF A MEETING

of the holders of Badische Kommunale Landesbank Girozentrale A\$30,000,000 14% per cent. Notes due 1992

NOTICE IS HEREBY GIVEN that a Meeting of the holders (the "Noteholders") of the above-mentioned Notes (the "Notes") convened by Badische Kommuniel Landesbank (Sirozantrale (the "Bank") will be held at 3.50 p.m. (London time) on 25th October, 1988 at the offices of Hambros Bank at 41 Tower Hig., London ECSN 4HA for the purpose of considering and, if thought 19, passing the following Resolution which will be proposed as an Extraordinary Resolution in accordance with the provisions of the Feed Agency Agreement dated 23rd April, 1987 made between the Bank and Kredistank S.A. Lucembourgeoise (the "Flecal Agent") and others retating to the Notes.

Where the context so permits, the expression the "Bank" shall include

no recess.

Where the context so permits, the expression the "Bank" shall include a successor company which succeeds to the rights and sublities of the k and of any other person in connection with the merger of the Bank and better the Bank and the other banks and the state of the Bank and the other banks.

early successes to company each success to the igne and seames of the Benk and such other person.

The Resolution, if passed, will modify, inter alia, the Terms and Conditions of the Notes (the "Conditions") by the insertion of an additional Condition of the Notes (the "Conditions") by the insertion of an additional Condition pursuant to which the Beark reap, without the consent of the Notesholders or the holders of the coupons appertaining thereto (the "Couponholders" and the "Coupons", respectively), effect the substitution of a clinet or indirect substitution of the Beark the incorporated or established outside the Federal Republic of Germany as debtor under the Notes and Coupons and the discharge of the Beark from its obligations and liabilities under the Notes and Coupons, subject to the payment of principal, interest and other smooths in respect of the Notes being unconditionally and invesceibly guaranteed by the Beark or its Londen Branch.

Notesinders should note, in particular, that, in connection with any substitution effected pursuant to the modified Conditions, the Beark will not be required to bear regard to the consequences of such substitution for individual Notesholders or Couponholders resulting from their being for any purpose domicial or nested in cham from the Beark, or the substitution for individual Notesholder any lindennification or payment for respect of any tax or other consequence where the substitution of the payment of the payment of any tax or other consequence where the substitution of the payment of the consequence where the payment of the payment

holder will be invited to chem from the Sizis, or the substituted debtof any indepntification or payment in respect of any tax or other consequence arising trace such substitution. Fall details of the background to, and the reasons for, the proposed modification and the Estracodistry Resolution are contained or an Explanatory Statement prepared by the Bank dated 3rd October, 1988, copies of the Agents for the Notes specified below. The Explanatory Statement contains, inter sits, () the form of the additional Condition to be inerrord in the Conditions if the Extracrditary Resolution is passed and (2) the form of the Dead of Gostientee by the Bank in, or substatistify in, the form in which it will be executed in connection with any substitution of debtyr effected in accordance with the Conditions as so modified (and having strached Conditions is, or substantially is, the form which would apply joliowing any ons in, or substantially in, the form which would apply following any obstitution, which will also include a provision empling further stons of debtor to be effected). such sob

tion to be proposed at the Meeting is as follows: EXTRAORDINARY RESOLUTION "THAT this Meeting of the holders (the "Noteholders") of the AS30,000,000
14% per cent. Notes due 1992 (the "Notes") of Badische Kommunate
Landesbenk Girozentrais (the "Bank") issued under a Fiscal Agency
Agmement (the "Fiscal Agency Agreement") dated 23rd April, 1967 made
between the Bank and Kradistbank S.A. Luxenthourgeoise as Fiscal Agent
The "Elecal Agent" and others bearing.

thees the Bank and Kredistbank S.A. Luxembourgeoise as Fiscal Agent to "Fiscal Agent") and others hereby:

**Basel Agent") and others hereby:

**Basel Agent has modification of the Yerms and Conditions of the Notes (as priced on the reverse thereof and in the First Schedule to the Fiscal Agency Agreement) proposed in paragraph (b) of the Explanatory Statement issued by the Bank and dated 3rd October, 1988, a copy of which has been produced to this Aleeting and initialled by the Charman hereof for the purpose of identification; variation, compromes of, or arrangement in respect of, the rights of the Noteholders and the holders of the Coupons appertaining to the Notes against the Bank showed m, or resulting from, the modification referred to in paragraph (1) of the Repolution or any substitution of debtor made pursuant to, and in accordance with the Terms and Conditions of the Note was as no modification.

and authorises the execution of a Supplemental Fiscal Agency Agreement in the form of the deaft produced to this Meeting and for the purpose of identification signed by the Chairman hereof to give effect to the modification released to its paragraph (1) of this Feschitton."

The attention of Noteholders is particularly drawn to the quorum required for the Meeting and for an adjourned Meeting which is set out in paragraph 2 of "Voting and Cuorum" below.

Copies of the Fiscal Agent Agreement (including the currently applicable Conditions) and of certain other relevant documents are available for inspection by Noteholders at the specified offices of the Agents for the Notes specified below.

VOTING AND QUORUM

VOTING AND QUORUM

1. A Nosebolder wishing to arised and vote at the Meeting in person must produce at the Meeting either the Notes, or a valid voting certificate or valid voting certificate strend by an Agent reliative to the Notes, in respect of which he wishes to vote.

A Notebolder not wishing to sitsed and vote at the Meeting in person may either deliver his Notes or voting certificate(s) to the person whom he wishes to attend on his behalf or give a voting instruction (or a voting instruction form obtainable from the specified office of any of the Agents specified below) instruction an Agent to appoint a proxy to attend and vote at the Meeting in accordance with his instructions.

Notes may be deposited until the time being 46 hours before the time appointed for holding the Meeting (or, if applicable, any adjourned such Meeting) but not thereafter with any Agent or (to the satisfaction of the Fiscal Agent) held to the Fiscal Agent's order or under its continue by Euro-clear or CEDEL S.A., for the purpose of obtaining voting certificate (or, if applicable, any adjourned such Meeting) (or, if applicable, any adjourned such Meeting) or upon surrender of the voting certificate(s) or, being not less than 46 hours before the time for which the Meeting (or, If applicable, any adjourned such Meeting).

such Meeting is convened. The voting state transfer thereof.
The quorum required at the Meeting is one or more persons present holding Notes or voting confidence or being a proxy or proves and holding notes or voting confidence or being a proxy or proves and holding or representing in the aggregate not less than a clear majority of the principal amount of the Notes for the time being outstanding. If within half an hour from the time appointed for the meeting a quorum is not present at the Meeting, the Meeting will be adjourned and the Extraordinary Resolution will be considered at an adjourned Meeting (notice of which will be given to the Notesholders). The quorum required to consider the Extraordinary Resolution at such an adjourned Meeting will

be two or more persons present in person holding one or more Notes or voting certificates or being a proxy or proxies whatever the principal amount of the Notes on halo or represented by them.

3. Every question submitted to the Meeting or the adjourned Meeting will be decided on a show of hands unless a poll is duly damanded by the Chairman of the Meeting or by one or more persons present in person he decided on a show of hands unless a poll is duly demunded by the Chairman of the Meeting or by one or more persons present in person and holding one or more Notes or voting certificates or being a proxy or proxies and holding or representing in the aggregate not less than one-fitted part of the practical amount of the Notes then outstanding. On a show of hands every person who is present in person and produces a Note or voting certificate or is a proxy shall have one vote. On a politicate succession who is no present shall have one vote. On a politicate so produced or respect of which he is a proxy. On a show of hands a declaration by the Chairman of the Meeting that a resolution has been carried or lost shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.

tion.

To be passed, the Extraordinary Resolution requires a majority in tavour consisting of not less than three-fourths of the persons voting thorsen upon a show of hands or, if a poll is duly demanded, then by a majority consisting of not less than three-fourths of the votes gaven on such poll, if peased, the Extraordinary Resolution will be binding upon all the Noteholders, whether or not present at such Meeting and whether or not voting, and upon all Couponholders.

AVAILABILITY OF DOCUMENTS

Copies of the Fiscal Agency Agreement may be inspected, and copies of the
Explanatory Statement, voting cartificates and other documents referred to
above may be obtained, by Noteholders from the specified office of any of

FISCAL AGENT: Krediethenk S.A. Luxembourgeoise, 43 Boulevard Royal, L-2855 Lineambourg.
PAYING ACENTS: ANZ Merchant Senk Limbed, 65 Helborn Viaduct, London EC1A 2EU. Bacilische Kommunale Ländesbank Giruzentrale, Augustaantage 33, D-8800 Mannheim. Kredielbank N.V., Arenbergsmant 7, 8-1000 Brussele. Swiss Bank Corporation, Asschenvonstadt 1, CH-4002

issued by Bedische Kommunale Landesbenk Girozontzale through its London Branch which has applied to The Securities Association and is interim authorised under the Financial Services Act 1986.

UK COMPANY NEWS

Mecca criticises Pleasurama figures

MECCA Leisure, which is bidding for Pleasurama, again criticised the quality of the lei-sure group's earnings yesterday, responding to Pleasura-ma's forecast that it would make not less than £62m before tax in 1988.

In turn Pleasurama said it would give serious consider-ation to a full cash offer from Mecca. The existing all-shares offer values Pleasurama at about £654m.

Pleasurama's forecast would be an increase of nearly 40 per cent. The group also forecast an increase in fully diluted earnings of about 15 per cent,

group's future performance. Pleasurama is to publish its formal defence document

Local waits for Brent

By Paul Cheeseright, Property Correspondent

LOCAL London Group, the property company which has emerged as the sector's latest Brent Walker, in the second of apparent takeover target, said that it was waiting to receive firm proposals from Brent Walker, the leisure and prop-

Its declaration, accompanied by a recommendation to share-holders to take no action until in the leisure sector.

two raids on the company's shares, had built up its holding to 24.9 per cent. Should Brent Walker make s bid, it will mark a shift in the

Mr Jeremy Long, finance director of Mecca, said yester-day: "There are quite a few things in the numbers they

have brought out which are questionable."

to know how much of Plea-

surama's forecast was derived

from one-off income, such as

licensing fees and property dis-

posals. Mecca also suggested that the absence of a dividend

forecast implied that the board

lacked confidence in the

In particular, Mecca wanted

TRIG defence under fire

By Clay Harris

BRITISH Coal Pension Funds, bidding £560m for TR Industrial and General Trust, said that the Touche Remnant-man-aged investment trust's ence document had failed to address the central issues involved in the offer.

BCPF said the 129.5p cash offer was fair, and played down the effects of capital gains tax-on accepting shareholders. holders, BCPF underlined the attraction of a fixed-price cash bid in times of volatile mar-kets. It noted that the discount to net asset value of TRIG ordinary shares had narrowed to under 4 per cent at some times during the offer, compared with more than 18 per cent before it was launched.
BCPF also criticised TRIG's

failure to put forward alterna-

BOARD MEETINGS

TODAY	
Interims- Silton (Percy), Chartsourch, Doe	2
Rex, Eurotunnel, Helene of London, Lamon	Ľ
Hidgs., North British Canadian, Scott & Rob ertson, Serco Group, Style, Thurgar Barden	-
Tools.	•
Finals- Barry Webmiller Intl., Brierley Inys.	_
Lyles (S.), Ossery Estates, Prospective	š
Lyles (S.), Ossery Estates, Prospective Group, Shandwick, TR Portfolio Inv. Tet.	

Gold Fields starts share buy probe

By Kenneth Gooding, Mining Correspondent

CONSOLIDATED Gold Fields said yesterday it was con-vinced that the buyer of a major block of its shares, acquired during the hectic trading immediately before the bid from Minorco, had made great efforts deliberately to hide his identity.

Both the London and Johan-nesburg stock exchanges have launched investigations into a possible massive leak of inside information ahead of the

Gold Fields has traced a block of more than 2m shares, representing about 1 per cent of its issued capital, first to Savory Milln, the London stockbroker and then to Savory's parent, the Swiss

Bank Corporation.

Gold Fields at the weekend asked the two institutions to provide details of the benefi-cial owners of the shares but there appears to be little it can do if they refuse.

do if they refuse.

The UK group has been trying to establish ownership of its shares and options because it is concerned that so much equity is in the hands of arbitrageurs ready to take a quick profit that Minorco, already holding nearly 30 per cent, might have little difficulty gaining control. gaining control.

Minorco has said it did not deal in Gold Fields shares or options ahead of the bid.Gold Fields said there were "no surprises" from companies associated with Anglo American Corporation of South Africa, a major Minorco shareholder, in response to the disclosure requirements of Section 212 of the UK Companies Act.

FT Share Service

The following securities were added to the Share Information Service in Saturday's edi-

Arboyne NL (Section: California Energy (Ameri-

National Telecommunications (Electricals).

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3rd October, 1988

Allied puts up the barricades again

Lisa Wood looks at Bond Corporation's stake in the food and drinks group

OR THE second time in just two years, they have begun manning the takeover barricades at Allied-Lyons, the British food and drinks group which escaped a takeover bid from Elders IXL, the Australian brewing and trading company,

Now another predatory Antipodean with ambitious global plans for his beer brands is circling the group: Mr Alan Bond, the Australian entrepreneur, has just lifted his stake in the company from 7 to at least 11 per cent, and Sir Derrick Holden-Brown, Allied's chairman, has few doubts about his intentions: "I have to assume that at some stage Bond Corporation will contemplate making a bid." As to the timing, Sir Derrick says." Mr Bond is not a man who hangs about. We must assume months rather than years."

The City has no doubts about the long-term threat posed by Mr Bond, but is sceptical about a quick bid. Allied, reckon the analysts, could command a takeover tag of E6bn or more, which compares with the heavily borrowed Bond Corporation's market capitalisation of around \$425m. It was the high leverage involved in the Elders bid which caused that to be referred to the Monopolies

Commission.
Furthermore, Bond is still busy digesting Bell Group, the former vehicle of Mr Robert Holmes a Court, which it took over in the wake of last year's

market crash. To bid alone would therefore seem beyond Bond's capabilities, but analysts are specula-tive that it might be interested in a consortium approach designed to break Allied up into its constituent brewing, wines and spirits and foods

Undervalued assets and shelves of brands, such as Skol lager, Ballantine's whisky and Baskin-Robbins ice creams certainly make Allied an attrac tive target for any potential predator. And at the time of the Elders bid it had a distinctly lacklustre City image.

However, in the three years since the initial Elders approach, the group has undergone some dramatic changes which have done much to improve its City image and thus its defences against any fresh bid. Says Mr Tim Clarke, of Panmure Gordon, the stock-broker." The City is still scepti-cal about Allied but there is not the hostility towards it that there was at the time of the Elders bid."

Allied's large brewing divi-sion, with its skimpy lager portfolio, dragged on Allied's profits growth in the late 1970s and early 1980s. Its share of the UK beer market fell by three per cent to 14 per cent between 1978 and 1983. Rationalisation, including 800 redundancies in brewing

plants, began before the Elders bid and has transformed the returns from this sector of the business, with production costs believed to be close to industry-best practice.
Allied's wine and spirits divi-

sion, with brands such as Babycham, became a major world player in 1986 through the acquisition of Hiram Walker, a Canadian-based wine and spirits business with brands including Canadian Club and Ballantine's.

Allied initially acquired a 51 per cent stake in Hiram Walker when it was being pursued by Elders - an action described by Allied's many City critics at the time as a "poison pill" designed to make it too hig for Elders to swallow. Today, it is indicative of the changed City perception of



Sir Derrick Holden-Brown

Allied that the deal is described as relatively mexpen-sive and "lucky". Whether the acquisition was fortuitous or not, Allied has motivated the staff, dismantling Hiram's autiovated management structure and there has been some real profit growth. Analysts are looking for about six per cent

next year.
In the food division, low-cost production, development of added value products and a large assortment of brands have fuelled a respectable trading profit growth. So, at first glance Allied's

performance over the past five years would provide some impressive bar charts in a defence document. For example, since 1982-1983 pre-tax profits have grown at a compound rate of more than 20 per cent a year and earnings per share at just under 20 per cent. However, City critics have

qualifications over the longer term outlook. These include: A possible freeing of the tie the system whereby most brewers sell their beer could adversely affect Allied's brewaniversally street. Amen's threwing division. Some weaker
Allied brands, such as Skol, are
at present protected by the tie.

• Allied, unlike competitors

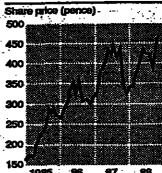
The previous figure was

Turnover was lower at

\$41.45m (\$43.66m). An increased final dividend of 4.5p (\$.75p) is proposed for a

total of 7p (6p).

Allied~Lyons



such as Guinness and Grand Metropolitan, has not pursued a vigorous policy of acquiring its own distribution channels for its international spirits sales. Control of distribution is seen as one key factor in determining an international spirits. group's success.

• The lack of a major acqui-

sition in the food sector, which could reduce any impact on earnings should a relaxation of the tie crode Allied's market

No indication has been given to Allied of Mr Bond's strategic thinking since the amounce-ment of the increased stake. But Bond Corporation, the world's fourth largest brewer has ambilious to make its beer brands - including Castlemaine XXXX and Swan lagers into globally selling ones. It is also keen to develop Europe as a profit centre, according to Mr-John Richardson, Bond's newly appointed chief executive for the UK and Europe. Mr Richardson said." Brewing has

to be a main thrust in Europe. Allied holds licenses to brew Castlemaine XXXX until the year 2003 in the UK and the Buropean Community and Mr Bond, since he started building his stake, has discussed several.

one stage the Australian brewer is even thought to have suggested Ailled might wish to sell its brewing business.

More recently, however, the two companies had begun to negotiate on a joint venture, 69 per cent Allied and 40 per cent Bund, which would acquire the ownership of Bond's Castlemaine and Swan brands and develop a company of the co develop a comprehensive mar-keting strategy for the whole of Europe, including non-EC

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But those negotiations seem to have been jeopardised by Mr Bond's latest, stake-building. Sir Derrick says that in April, when the Australian company took its stake in Allied to seven per cent, he told Mr Bond that he would regard further share nurchases as Bond that he would regard further share purchases as unfriendly. Mr Bond is believed to have been in London discussing the joint venture deal as recently as Thursday of the week before last, a day before he seems to have begun buying Allied shares again. The joint venture would have had strong mutual benefits to both partners. On the one hand, Bond would gain the experience of Allied, which has two breweries - albeit ailing two breweries - albeit ailing on the Continent. On the other, Allied would have control in a much larger market of Castle maine XXXX, a brand which has transformed Allied's lager portfelio.

It is not easy to see how Bond can develop its beer sales in Europe with a disgrimited Allied-Lyons holding the licence to brew Castler XXXX there. A successful bid for the British company would be one way of solving the problem, but then Allied and its financial advisers are not exactly inexperienced in the art of successful takeover tac-

Eagle Trust profits Courtney Pope little changed surge to over £6m Courtney, Pope (Holdings), shopfitting, engineering and electrical group, reported pretax profits marginally ahead at 23.04m for the year to May 31.

By Vanessa Houlder

EAGLE TRUST. rapidly-changing mini-conglomerate, announced a near four-fold increase in its pre-tax profits for the first half of 1988 to £6.4m (£1.3m).

Karnings per share - a more appropriate measure of performance, given the increase in number of shares in issue rose by 37.5 per cent to 0.55p

(0.40p). Mr John Ferriday, chairman tious programme of acquisi- (0.10p) per share.

tions and disposals would con-

The company intended to eliminate its borrowings -which stand at 60 per cent-within the next few months by the sale of property and invest-

One of its three investments in public companies is a 15 per cent stake in Owners Abroad, a

The directors are proposing n interim dividend of 0.180



AB ELECTRONIC PRODUCTS GROUP PLC Another Record Year

Preliminary Results

2000	1986/7	1987/8	+16% +104%	
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Dividends .	12.50	15.0p	+20%	

- Profits more than doubled
- Market sectors strengthened
- International base widened Steady progress expected

AB Electronic Products Group PLC Abercynon Mountain Ash Mid Glamorgan CF45 4SF pre-tax profits of £130,000 for the six months ended June 30,-against £128,000. Tax took £45,000 (£44,000) after which earnings improved to 3.4p (3.3p). The interim dividend is lifted to 2.3p (2p).

Hobsons Publishing

attack minority leaders By lan Hamilton Fazey

Manchester directors

THE DIRECTORS of rights, as minority opponents Manchester Ship Canal have attacked the leaders of the company's minority shareholdcompany's immorray sparencial cers for untruthfulness and the board has replied officially groundless and mischevievous and in writing to its opponents speculation" in a letter to all since control of the business shareholders which most was won by last year by Mrshould receive today.

In an attempt to win the learns and minds of small on his property developer, after a long, bitter takeover battle. ers for untruthfulness and groundless and mischevievous speculation in a letter to all shareholders which most should receive today.

hearts and minds of small ... On Thursday the meeting shareholders before next will vote on restructuring the Thursday's resumption of the company's controversial extraordinary general meeting.
Mr Robert Hough, the chairman says that there is no intention to water down share-beldery rouses or alter their holders' powers or alter their

have claimed.

The letter is significant because it is the first time that

> board to remove Manchester City Council's statutory right to a boardroom majority of one, as well giving the board power to raise borrowings by £45m for development pur-

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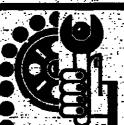
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Service Control

The task of renewing Britain's derelict land is a daunting one emphasised by the growing prosperity of

other parts of the country, writes Hazel Duffy. Concentrating mainly on inner cities, the Government is encouraging greater responsibility in the corporate sector.

New life for dead acres

FIFTY BH.LION pounds needs developers and investors to be spent renewing Britsin's 100,000 scres of develot land in inner cities. That is the rough estimate made by the Confed-eration of British Industry in its recently published report Initiatives Beyond Charity.

The sum is based on the estimated £1bn it will cost to side, the acres alongside the regenerate nearly 2,000 acres of rivers Tyne and Wear, parts of derelict and under utilised land central Manchester, the oldin East Birmingham, according to studies produced for the Bir-

mingham Heartlands consortium.

The consortium, made up of five private contractors. Birmingham City Council and the chamber of commerce, is a good example of the public private sector partnership that the Government has made the the Government has made the cornerstone of its inner cities policy. It is also the only example of a city council, by setting years ago. What is perhaps up a consortium, managing to new is the realisation in variup a consortium, managing to persuade ministers that it does not need an urban develop-

ment corporation. A strategy has been drawn up which outlines the opportunities for mixed development. including new facilities for industry, business, housing, leisure and the improvement of sites. Substantial investment in new and improved roads and the canal will be required if the proposals are to attract

The daunting scale of the urban renewal task starts to become apparent when one substitutes for East Birming-ham some of the other locations around the UK in need of urgent attention - like Trafford docks areas on the River Mer-sey, the Black Country, the

Under used factories and ship-yards, poor housing, inade-quate infrastructure were all features of industrial Britain 50 ous quarters of the social and economic cost of such dereliction, which has been enqua-sleed by the growing prosperity

in other parts of the country. Cities like Detroit, in the US, provide frightening examples of the social effects of this spiral of decline. Others, which have succeeded in reversing it through the combined efforts of the public and private sectors, give more encouragement to those who believe it is not



Urban Renewal

too late to do something in

The Government has produced numerous programmes aimed at redressing the prob-lem. They include ideas to improve the lot of people living in the inner cities, notably the task-forces that operate at a neighbourhood level. These are complemented by initiatives emanating from local authorities, teams set up by Business in the Community (which derives its support mostly from big companies and state-owned industries) and a wide variety of voluntary groups.

ment policy, however, has been drawn up to encourage property development in the inner cities and areas of industrial dereliction. The programmes mainly involve some form of pump-priming in the form of: grants, initially channelled through local councils, now paid direct to developers.

The enterprise-zone experiment, which encouraged investment in certain run-down areas by offering tax incentives and rates holidays, has been shelved (the excep-

created on Clydeside). The Government announced the decision late last year, despite evidence that the incentives had succeeded to a large extent in their objective of bringing developments to areas which the private sector had not been willing to consider. Retail developments, warehousing and new industrial building, have taken place in the zones around the country, which mostly have another three to five years to run.

The disadvantages were that the cost of the incentives could while there was some evidence that the zones distorted the property market in adjacent

Grants are now the main incentive. Their existence acknowledges that, to date, the private sector does not see inner city developments as viable without some injection of public money. Projects pio-neered by Inner City Enterprises, whose basic funding comes from the financial institutions, and the Bradford project undertaken by the British Property Federation, which deliberately chose a particularly difficult site, underline this requirement.

The one major exception to this urban renewal rule is in London Docklands. The redevelopment of the Royal Docks will go ahead unaided by the public sector. This, however, will be a consequence of the confidence expressed by the Canary Wharf development, under construction in the Isle of Dogs enterprise zone, and simply the demand generated by London.

Elsewhere, the CBI task force - drawn from the private sector - put forward a strong case for "flagship projects", major developments in the centres of cities which have acted as the catalyst for renewal in some cities in the US. The theory goes that, once it can be demonstrated that these projects can be got off the ground, investor confidence will return to the inner city, rents and capital values will rise, and the scene will be set for long-awaited developments to get under way.

Given the tendency for financial institutions and developers to be oriented towards the south-east, the initiative needs to come at a local

In Newcastle, a group of local businessmen, academics surveyors has joined hands with the city council and the Tyne and Wear Development Corporation to demonstrate how the theory can be put into practice. They identified two areas - that around the restored theatre, and the old commercial heart of the city around Grey Street which links

CONTENTS

infrastructure Industrial property

Small workshoos

Urban developmen The British Property

Federation in Bradford: Inner City Enterprises; The Phoenix Initiative in

The CBI in Newcastle Political initiative: Areas with special proble

The south Wales valleys

the Quayside, recently awarded to Shearwater, the Rosehaugh subsidiary, and Stanley Miller - as potential 'flagship projects".

The key to this approach is the coalition of business and local government - with its planning functions and know-ledge of the area. With central government providing some of the money to break the inner city deadlock, it is a tripartite arrangement that has worked particularly well in Glasgow. Mrs Thatcher's determina-

tion to isolate local authorities constitutes a threat to this approach, however. The London Docklands Development Corporation has learned the hard way the obstacles that lack of co-operation can pose. Although many councils, like Sheffield, are overcoming their antipathy to urban develop-ment corporations, which remove planning powers from them, there is still suspicion and even hostility at the erosion of their powers. In many places, the local council has olayed a vital role - in Coventry, for example, providing industrial space in run-down areas that the private sector would not touch.

Some of the earliest arrivals in cities like Glasgow, or in the London Docklands, where renewal has been a success. have been the housebuilders. Since housebuilding by the public sector has virtually ceased, much more emphasis has been put on housing asso ciations and schemes which allow low rents to be set. The big building societies

have teamed up with local authorities and builders, bringing in imaginative financing, to get such schemes off the ground. The biggest problem in many British cities, however, including inner London, is the state of local authority housing, particularly in tower blocks. Councils have undertaken all sorts of improvements - sometimes financing them by planning gain deals with the private sector. The Partnership Renewal of the Built Environment (Probe) is an agency aimed at resolving the impasse presented by impecunious councils and tenants with low spending power. But

a trip around some of Britain's council estates will reveal how much still needs to be done.

The Government has set up new housing action trusts in a worst estates. Their success will depend on substantial commitment from people appointed to them. At this stage, many still need to be convinced that they provide a solution to the housing problem. On the other hand, the initial success of the Chancellor's decision to extend the benefits of the Business Expansion Scheme to investors in property for private renting suggest that this could go some way towards bridging the gap in private rented accommoda-

as homes and leisure. Manufac-turing will not return to the cities on the scale of earlier years, but there is a need for smaller units, and particularly managed workspaces where can call on professional advice and support. The Government has assigned a specific role to such accommodation, and the private sector is increasingly involved in a few areas.

The greater emphasis on enterprise by Lord Young, Trade and Industry Secretary, has an inner city element with special levels of grant to encourage expansion of small businesses in these areas. The provision of jobs, training, business links with schools must go hand in hand with the renewal of the physical fabric.

In spite of the fact that interest in urban renewal in the UK has come from many sectors, enormous problem areas remain - as would be expec-ted if the Confederation of British Industry is correct in estimating that inner city rejuvenation will carry a £50bn price tag. Mrs Thatcher has shifted the responsibility on to the corporate sector to reverse a longstanding decline, and in some places that might suffice. But in the areas where problems are most difficult which would include parts of the capital - there is no clear evidence that this will be

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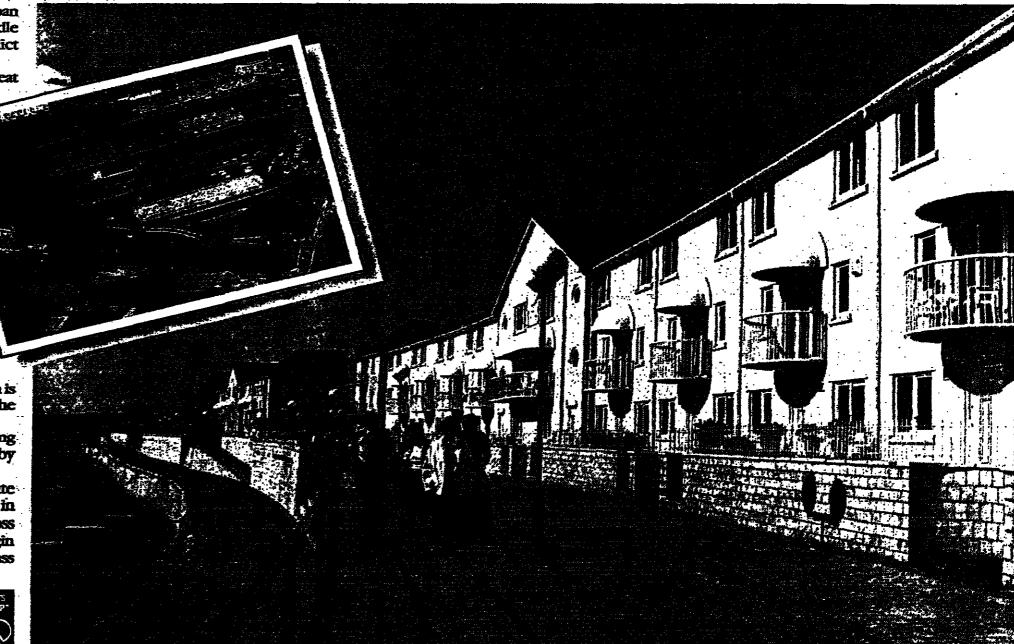
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Railways and new roads may not suit everyone

THE UK is on the verge of a oretical eventual capacity of up boom in urban transport infra-structure projects, mostly in the form of light rail systems, which are being considered in around a dozen cities.

Their enthusiasm follows the success of the Docklands Light Railway, in East London, opened a year ago at an initial cost of £77m, and already being extended to cope with rapid

The key advantage of light rail is flexibility: it can range from tram-like vehicles operating among street traffic, to virtually full-scale trains on dedicated track - sometimes within a single system.

Extending and expanding a system once it is running is also relatively easy - the DLR was built with an initial operating capacity of around 2,000 igers per hour, and a the-

THE ROLE of housing leading urban renewal is vital. It can be under-rated only in the case of atypical projects like Canary Wharf, in the London Docklands, based on attracting commerical activity eastward.

Elsewhere, cities have to be assessed from more modest vantage points. How can crumbling, unlettable housing be restored to use, partly privatised, and complemented with new urban homes for the new

Although many question it, the answer appears to be: only by getting the private sector

Since 1980, Britain's private usebuilders have taken the lead in proving that there is no such thing as a building beyond salvation. Led by galian and Barratt, council blocks considered worse than s all over the country were taken over, improved, and miraculously found buyers prepared to pay real money to

Battersea Village, in Wandsworth, was the first Regalian tendered successfully for the five run-down 1930s blocks which had become a no-go area. The 300 flats were refurbished and the courtyards carefully landscaped. They retain the freehold.

to 23,000 Mr Howard Potter, transport lanner for the London Docklands Development Corporation, says he is convinced the

DLR was an essential catalyst for the development of the The original project was cash, limited by the Govern-ment, because the almost total

nce of development plans for Docklands meant that even a small-scale railway would not be viable. "But what happened was that once developers saw the track being built, interest in

developing Docklands began to boom," says Mr Potter. The LDDC's practical experience was echoed recently by Mr Rex Vickers, a director of Mott, Hay and Anderson, the consulting engineers, in a

happy to live.

authorities, development cor-porations and housing associa-

in affordable homes, Barratt in

shared-ownership, sheltered

accommodation and rented

ns. Regalian has specialised

paper on the role of light rail delivered to a conference on urban regeneration held in Birningham by the Institution of

Civil Engineers. Mr Vickers said the introduction of high-capacity transport infrastructure, in advance of development, was likely to reassure developers, who would be more confident about

But the common-sense view that improved transport infra-structure is bound to help to promote economic regeneration is not universally held among academics.

A sceptical note was sounded by Prof Tony May, of Leeds University's Institute for Transport Studies, who told the conference that many of the apparent effects of transport schemes on urban regeneration were "a question of

Prof May says there is considerable evidence that new infrastructure may not have the expected effect. Many dis-tribution companies, for example, have responded to improvements in road links by closing depots, which increas their transport costs but reduces labour and fixed costs.

"Such a response may well be in the interests of the national economy, but is unlikely to help the case for localised economic regenera-Prof May identifies three main ways in which transport

economic regeneration:

New roads: Although these are needed, there is controversy over the effects of roads which are provided to increase

policy could have an impact on

to improve circulation within Such new roads may be justiciency, but they can separate one part of a community from another; satisfy existing excess demand, without significantly reducing congestion; or encourage firms to relocate in order to serve existing markets from outside the area.

While there is considerable circumstantial evidence of the industry-attracting effects of outer orbital roads, there is no such indication that inner-city roads will have the same effect," Prof May says. ■ New rail systems, in par-ticular light rail: These are

mostly presented as ways of ing existing suburban rail services and improving city-centre access. The two main exceptions are

the DLR and the Tyne and Wear Metro, an earlier and more conventional scheme in Newcastle, both of which we intended to act as catalysts for

The evidence is conflicting. Studies have shown that the Type and Wear Metro produced a considerable increase in the attractiveness of Newcastle city centre, but that there was little evidence of new economic activity. The DLR has not yet been studied in detail, but Professor

May suggests that, if the LDDC's claims that it pro-moted development are correct, it may be because the project is a special case. He notes that the docklands

area is both peculiarly inaccessible and the focus of the expansion of the City of London following Big Bang. This may have made it the sine qua-non for much of Dockland's development, but "it cannot be assumed that the DLR experi-ence is directly transferable," he says.

- Improved use of existing infrastructure. Prof May identifies this as likely to prove the most beneficial and cost effec-tive way to assist inner city areas. Improvements cover a multitude of policy options, from his services to road maintenance, traffic restrictions and extra parking provi-

Prof May concludes: "The effects of transport on eco-nomic regeneration are not as clear as is often assumed. The provision of good transport is a necessary, but not a sufficient, condition for regeneration to take place; availability of land

"Care is required in developing a transport strategy to ensure that it will encourage regeneration, rather than then reinforcing the pressures for outward migration of industry, and that it will not simply attract industry from other deprived areas.

"The choice of transport infrastructure, may, enhance the image of an area, but may not be the best way of meeting the real needs for accessibility and environmental improvement. Lower cost improve-ments to the use of the existing infrastructure are more likely to be fargeted to firms' needs."

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Removie

urban regenerators?

More success stories followed, and not only in London. Marlborough Park, in Sunderland, was a typical award-winning 1960s estate, whose ten-ants expressed their distaste access to an area, rather than HOUSING



Battersea Village: run-down 1930s blocks, which had beco

socially-aware developers, a Noble though all these handful of enlightened local efforts undoubtedly are, they barely skim the surface of the authorities - but what of the millions of council homes still

languishing in the public sector with no takers? And what of the large number of local authorities ideologically

opposed to any such moves?
It was to tackle this wider problem that the Government devised Housing Action Trusts. Last month, it was ennounced had been appointed to carry out studies of the areas proposed for the first six HAT

Tower Hamlets, Leeds, Sandwell and Sunderland. In each area, between two and five estates are involved.

HAT provisions are part of the Housing Bill and subject to its approval. They are envisaged as "temporary organisa-tions set up to help selected

as: Lambeth, Southwark, areas which have become par-

elected local government is seen to have failed. Instead, board members will be appointed by the Environ-ment Secretary. They could be housing experts and local peo-ple, including tenants, with an emphasis on sexual-and racial

down". Like other urban renewal measures, such as

development corporations.

HATs are unelected, as they are chosen in areas where

equality. Once transferred from the local authority to a HAT, a major programme of improve-

ments, both structural and environmental, would take place. Other local agencies and businesses would be invited to encourage employment. Improvements would be dis-Improvements would be dis-cussed with tenants, who would also be consulted about day-to-day management. They would retain full tenants' rights (including Right to Buy and housing benefit) and nonsihilities.

Once its job was considered done, the HAT would transfer ownership yet again, this time to a permanent landlord, which could be a tenants' cooperative, a housing association or a Housing Corporation-approved private landlord. At this stage, the emphasis is again on full consultation with tenants, and the option of the HAT reverting to the original local authority is also a

The consultants' research programms for the proposed HAT areas explains how the Government is thinking. They have been asked to prepare a social, economic and environmental profile of each area, to include memploysient and crime statistics, and report of crime statistics, and report on the physical condition of the housing the extent of design problems and structural defects, including a cost estimate for putting things right.

They will assess the quality of existing management, looking at the number of empty properties, rent arrears and repairs backlogs and report on potential improvements. Vacant land on estates derelict or otherwise, will be assessed for development potential residential or conmercial — and the local employment scene analysed.

The scape for attracting pri-vate-sector investment is high on the research agenda, as is the scape for introducing different types of tenure and

Finally, there will be "estimates of the levels of improve ment and development that might be achieved over periods of three, five and 10 years and the public expenditure that would be required to achieve

The consultants, Peat Marwick McLintock, PIC Ltd. PIKDA Ltn and Price Water house, will have to do all this in 12 weeks and report back to Mr Nicholas Ridley, the Envi-ronment Secretary, in December. He will then make his final decisions.

Mira Bar-Hillel

Industrial property outside the south-east is attracting investment

Light falls on the dark mills

of advance factories this year, and some potential inward investors had to be turned away. It should have been embarrassing for a government still confronted by worse thanaverage unemployment rates in the region, but it was not. Ministers "toughed it out". The line was that the shortfall could not have been predicted, because it was the result of faster-than-hoped-for economic recovery, the success of the north-east's sales message, and

a spillage northwards of southern prosperity. Moreover, the shortfall was portrayed not as a problem, but an opportunity. Here was the chance for the public sector to stop providing low-rent, low-return buildings for new industry and regeneration. If there were such demand, then rems must surely rise enough under market forces to give the private sector good returns for

filling it. English Estates, the Governnt's industrial and commercial building agency, was told to limit its speculative building to the most difficult areas, leaving the field open for the private sector to fill the gap

The policy appears to be working in some respects, but there must now be a question there must now be a question over its surviving rising interest rates that might offer investors better, safer havens for their money. Certainly, some hig developers have been waiting and watching to see if less cautious competitors come a cropper. This may well be the excuse they wanted not to take the plungs.

the plungs.

Much may depend on the exact area of the country concerned, as the experience of English Estates before interest rates started to rise dramatically seems to bear out.

Mr Tony Pender, chief executive, says: "The ripple effect from the south-east is beginning to show. It is important not to overstate it, but it is beginning. We certainly have

beginning. We certainly have seen increasing private sector interest and development in the enterprise zones.

Where we were developing and selling, we now get a developer wanting to come in from the start, so that he is taking the risk. That was not happening 12 months ago, when investors were buying

We are now starting to get some interest from property developers and one or two institutional investors, who are starting to put their heads

above the rannarts. "The more attractive areas are doing particularly well, such as Chester, parts of the north-east and Plymouth. Our main sources of buyers for the poorer areas remain our ten-

To Mr David Taylor, manag-ing director of Lancashire Enterprises, the company set up by the county council to run its economic development strategy, market forces are not enough; the private sector has to be led to the water and per-suaded to but in a toe or two. "The private sector is ponding quite well now that we have done the initial work and led by example, which means using public funds for the first projects.

"It doesn't matter how many

drawings and attractive artists' impressions you produce, there is no substitute for showing people something that has actually been done, so that they can look at the old photographs and see and appreciate fully the before and after." This has led to one local developer's joining in several projects, including Lancashire Enterprise's flagship project at Eanam Wharf on the Leeds-

Liverpool canal in the centre of Blackburn. This formerly tumbledown relic of the pre-Industrial Revo-lution era is now being trans-formed into a 21.5m complex of offices, shops, light workshops, and a pub and restaurant. However, Mr Taylor worries that, although smaller developers with local knowledge may see the potential, national

He says: "Blackburn council

receives masses of inquiries about office space, which is in very short supply. Despite this obvious demand, there is little velopment." He thinks that inflationary pressures and ris-ing interest rates will make things much more difficult.

Mr Pender, however, is less pessimistic: "There is bound to be an effect on people doing deficit financing, but we have not yet noticed any hig slow-down."

He believes that, while

short-term investors will from big-league property devel-always go for the highest opment to personally take on diate returns, institutions such as pension funds or the bigger developers will take a longer view and stay in. Mr Taylor's greater caution is founded in the general trend

of land values going steadily down as you move north and west from London. He says: "I agree with Tony Pender that there is a division between bort-term and long-term attitudes, but enthusiasm wanes as land values decrease. Rising interest rates will depress the situation even more. The farther north you travel, the worse it will get."

However, another view is that the south-east's land values have gone too high, and will drive people northward looking for bargains and a cheaper rents. Signs of this are already apparent in booming places like Manchester and Leeds city centres, which are only milliseconds from London by electronic link.

There are also some notable before and afters" elsewhere in the north, the prime exam-ple of which is almost certainly Dean Clough Industrial Park, in Halifar. It has been reacned from dereliction by Mr Ernest Hall, the founder of the Mountheigh Group, who disengaged

the challenge.

Dean Clough was a collec-

tion of disused carpet mills with more than lm sq ft of echoing space m the centre of the town. Five years later, it contains 200 businesses employing more than 2,500 peo-

The latest arrivals are Halifax Building Society, which has taken 30,000 sq ft, the Printing Industries Hesearch Association, which is relocat-ing from the south, the local VAT inspectorate and a high technology husiness fed up with Militon Keynes. Mr Hall says that other big

companies are looking.

Many of Dean Clough visitors have been institutional. investors or developers with an eye to doing the same elsewhere, or putting money into a similar venture. Although it may take time for this to work

may take time for this to work its way into the market place, there is one unmistakable sign that something is stirring.

Mr Hall puts his finger on it:

"Five years ago you could give old mills away. Today you cannot have the Errorope in not buy them. Everyone is upgrading the value of them and not seiling."

lan Hamilton Fazey

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TALK ABOUT URBAN RENEWAL.

decay, it needs saying that a positive start has already been made on reversing the downward trend.

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there has been a strong rise in

rental levels throughout the

country, ranging from 7 per

cent in Hull to an average 44

per cent in the major locations

of the midlands and north, according to Debenham Tew-son and Chinnocks, chartered

surveyors. Prime office rents

have ranged from £3.75 a

square foot in Bradford and Hull to £10 in Birmingham, Cardiff, Leeds and Manchester.

development, however, is in

London and the south-east,

suggesting that the nascent boom outside has a long way to

go before it makes much

impact in urban renewal

DEVELOPMENT of the small

business sector, it is argued

can make substantial inroads

into unemployment. So the

Government has been anxious

to encourage provision of small

workshop units, where lease or

licence arrangements are flexi-

ble, to generate the creation

and growth of small compa-

All this is easier said than

done. The sector is not a

favoured area for any but the

specialised property develop-

ers. Neither institutions nor

the major property develop-ment and investment compa-

nies concerned about the inten-

sive management, have shown

Demand for small amounts of space, serviced by central

telephone and other office

facilities, has been growing,

and the take-up has risen

much interest in the sector.

Paul Cheeseright

Nearly two thirds of all new

THE HUGE office projects in London Docklands are the most obvious British example for commercial use, but they do not offer a guide to what is happening or will happen else-

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Canary Wharf and Harbour Exchange sprang from a combination of factors: shortage of space in the City of London: rapid expansion of the financial services sector, fears that the planning authorities would hold back an expansion of the office stock in the Square Mile: reaction to sharply increasing accommodation charges; and the availability of subsidies for Docklands development.

Such factors, which have spurred development in Docklands, will not all be in play elsewhere. If they had, development would have been quicker and more enthusiastic than it

Office developments outside the established business districts in regional cities have been slow to take off, because the economic growth that started in London and the south east has taken time to

trickle outward.

Property development tends to lag behind economic growth, which is why it is only in the last year that office projects have started to proliferate in

regional centres.
But even before office projects could look financially viable, stock that had been surplus since the 1970s has had to be absorbed by the market. This has now taken place, and the whole sector is looking

towards expansion.

Developers and landowners, however, are not, in the first instance, going to meet any shortage of office stock by looking outside the established office areas. They will tend to move into fringe areas, into areas covered by urban development corporations, into-burnt-out old industries and dock areas, only when they perceive demand as strong enough to push up rents in the particular city as a whole.

Space has to be tight in the centre for development to be pushed outside. For example, because the central business district in Manchester is constrained geographically, development has been pushed outward — first, towards the smart suburbs of the south, where the airport acts as a focal point, second, towards Salford and Trafford Park.

The Salford and Trafford Park developments, in place and planned, are part of the process of urban renewal. Where offices have been completed, they have been drawing in rents of £8-£9, not much difOffices: London is no guide to the regions

Rents hold the key



Merry Hill centre, Dudley: such retail bases attract an office element

centre. The point is, though, that the Salford and Trafford Park developments are, in a way, at the end of a chain, because the risk-reward equation is tilted more towards risk

ferent from those of the city

in the eyes of many developers. While the Government, through the use of enterprise zones and slicker planning pro-cedures by urban development corporations, has sought to diminish the risk factor, speculative development can be ruled out unless underlying demand is perceived.
Uncertainty about future demand for office space, but

certainty that there is more disposable income around partly explains why the property industry has appeared to fer retail, leisure and residential schemes as a vehicle

for urban renewal.

There is evidence of change, though. It can be seen in the way Avatar has announced plans for a new international frade centre in Manchester, Glasgow & Oriental has been prepared to try and cres new office complex in the run-down Broomielsw area of Glasgow, Shearwater and Stanley Miller have a strong office element in their plans for New-castle Quayside, and Moun-tleigh proposes a 500,000 square feet office complex outside Leeds city centre.

It is noticeable, too, that where retail has been the base of urban renewal schemes as in the Cameron Hall Metro-Centre project at Gateshead, subsequently sold to the Church Commissioners, or in the Richardson Development's Merry Hill centre at Dudley, or

the Shearwater project on Southampton dockland - an office element has been added

in all of these cases, however, the property developers are forced to rely largely on local demand to take up the space they have created. And this brings the whole question back to the movement of the national economy. If there is no growth in the immediate locality, then the chances of office projects becoming viable, subsidies or not, are slim.

This is because the evidence of a widespread relocation from London to midlands and northern centres is small, and because it is impossible to rely on tenants arriving from overseas. Arguably, Bristol gains major office occupiers from London - Lloyds Bank, for example - but Liverpool does

This could change over a neriod if accommodation costs in the south-east become burdensoune, and not least from the changes taking place in the Civil Service. The start of a movement to make departments directly responsible for their accommodation costs could chime with the general thrust of government urban policy, encouraging a shift to regional centres. But, for the immediate

future, rental levels in the different centres are a more important indication of future development plans. If rents are less than £6 a square foot, developments are not likely to be financially attractive to developers. Once they exceed £8, the position changes. Over the last year especially,

THE BUILDING industry in Britain is overheating. Serious shortages of skilled craftsmen and materials are beginning to affect forecasts and performance, and tender prices are rocketing. The Government's own Prop-

erty Services Agency recently circulated a memo to PSA architects, warning them of the likelihood of "an unprecedented 25 per cent increase in tender prices between the first and second quarters of 1988", with a possible 35 per cent in the torrid south-east.

Building economists E.C.Harris have been experiencing wide variations in tender levels from project to project, with rises in a very wide range - from 5 to 30 per cent. At the same time, contractors' order books are full and their state of trade appears healthy.

The problem is focused on London and the "supersites" -Broadgate and Canary Wharf, with Kings Cross looming. Broadgate cornered the market for steel work, and steel prices rose as a result. The same effect is now being experienced with lifts, external curtain walling and cladding.

Some of these projects can be described as "urban regen-eration". Certainly, Canary Wharf and Kings Cross hold out the promise of prosperity where there is now dereliction. But the construction sector

does not, at least for the time being, need urban renewal work. With the exception of the housebuilders, for whom it is a vital trading area, and who are therefore very active and positive, contractors (as opposed to developers) have no economic incentive to be altru-

CONTRACTORS

Tenders overfuelled

has been the formation of British Urban Development (Bud), by 11 of the country's major civil engineering companies. Bud was launched in March to coincide with the prime minis-ter's Action for Cities campaign. Its first chairman is Martin Laing, and other partic-ipants are Alfred McAlpine, AMEC, BICC, Costain, Sir Robert McAlpine, Mowlem, Tar-

mac, Taylor Woodrow, Trafalgar House and Wimpey. The founding 11 pledged an authorised share capital of 255m and set up a London office, with former prime ministerial adviser Hartley Booth as chief executive. Mr Booth's approach to urban renewal is based on taking a longer-term view than most individual companies are able or willing

Projects which show early losses — inevitably in run-down and depressed areas with added complications like contamination - will not nec-essarily be discarded, provided there is the potential for success. There is even scope for cross-subsidisation between more, and less, profitable elements of any one scheme (for example, profits from housing to subsidise industrial units) or even, potentially, between

"Illtimately we must make a profit, and we must create real revival with real jobs," said Mr Booth. "We also accept that it will be a long haul. It is there-The only major initiative fore not surprising that, in our taken in this direction recently first six months, we have

So far, Bud has partnership arrangements with the Tees-side and Black Country UDCs. More significantly, it recently announced a partnership agreement with Labour-controlled Leicester city council and Leicestershire county council

The members of Bud are, to some extent, motivated by the fact that civil engineering, their main contracting staple, is under pressure internationally; and they are having to defend even their home patch against the aggressive Japa-

But in general contracting, in the current climate, private interest in worthy causes needs encouragement. It is therefore not surprising that last month's report from the construction sector, entitled Reviving Britain's Inner Cities, was subtitled "Tax incentives for urban regeneration", and was prepared by the industry's

joint taxation committee. The report says all the right things about the importance of urban renewal and the need to shift "the economic centre of gravity" away from the southeast to relieve pressures of overheating, wage inflation and risk to the green belt. The report welcomes the

new streamlined City Grant, which has replaced the earlier and more cumbersome UDG and URG system. But, it says, "it needs to be complemented with a system which will go

mainly invested in negotia-tions and research." further in providing speedy incentives with certainty and

flexibility". The main ingredients of the proposed tax package are: ■Provision for approval of urban development areas and

individual projects outside

those areas by the Government. ■Extension of Business Expansion Relief for individuals investing in companies carrying out approved projects. ■Relief against Corporation Tax for companies investing in approved project companies -

vears later ■Tax-free interest on loan stock issued by approved project companies, for a maximum of 10 years after the completion of construction and available to investing individuals and

repayable, at the latest, 10

companies.

Capital allowances at a special on comcial rate of 5 per cent, on com-mercial and residential buildings in approved projects.

"Companies are showing an increasing awareness that their business interests and the economic and social welfare of the communities in which they operate are very closely linked. The encouragement of a tax incentive would get a lot more companies actively involved in the regeneration of towns and cities affected by industrial transition, and such involvement would make an enterprise culture more acceptable,' the report concludes.

Mira Bar-Hillel

Small workshops: demand exceeds supply

Trusting in units

markedly, especially in the

south-east. In order to meet existing demand and encourage more, the Government has sought to

have English Estates, the state-owned industrial developer which acts in areas where the private sector is inactive, more closely involved. English Estates has found that, while some areas, like Liverpool and parts of the north-east, are well served,

there are gaps in Manchester Derby and Doncaster. It will begin building shortly. For the moment there are three main, and sometimes overlapping sources of supply. First local authorities have

been providing space - hence the co-operation of Lambeth Borough Council with BAT Industries, to establish the Brixton Enterprise Centre. And the former Greater London Council had properties which are now under the control of London Industrial, the associ-

ate of Inner City Enterprises. Second, special companies have been established with funding from major groups and financial institutions - like Lenta Properties, backed by

Shell, BP and Barclays and Midland banks; or a unit established by British Coal.

Third, specialist investment groups and developers, such as Skillion or the London Small Property Business Trust, have found it possible to run busi-nesses that provide small premises at a profit.

But each of these categories faces the same problem, at least in the south-east: the escalating price of sites. Only if a site can be bought at rock-bottom price is it possible to put premises on the market

transformations.

more than skin deep.

community are foremost.

and minimum disruption.

local workforce.

that give the developer some sort of return. This is why buying old factories, which nobody appears to want, and converting them.

The prices that tenants have to pay will vary sharply, in any case. Generally, the greater the office content in the premises, the higher the price. So a snappy little unit, wanted by a media company trying to make an impression in the southeast, might cost up to £15 a square foot, while a tatty-looking shed in the north might cost £1 a square foot.

But in either case there will be flexible terms, allowing the tenant to pull out quickly if the business does not work. Again, the more flexible the terms, the higher the price.

Paul Cheeseright

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Urban re-development is an important issue. One which requires an understanding of the needs of local communities and the skill to build the best homes to suit local people and their environment.

This is an area in which Wates excel. We have many years' experience of re-developing urban areas, both refurbishing flats and houses owned by local councils; and providing new housing on land which local authorities cannot develop themselves. By rejuvenating derelict areas and making the best use of existing housing we have built attractive developments providing a variety of quality homes for the

community, from studio flats to four bedroom detached houses, bungalows and sheltered retirement homes. We work closely with public authorities, often in partnership which benefits everyone

involved. With limited finances available to local authorities to spend in the public sector, cost-effective methods of providing suitable housing are vital.

A partnership with Wates produces carefully planned schemes, and on sites with existing housing, economic and well designed use of space. An example of this is Pennethorne Place in Hackney where Wates was recently

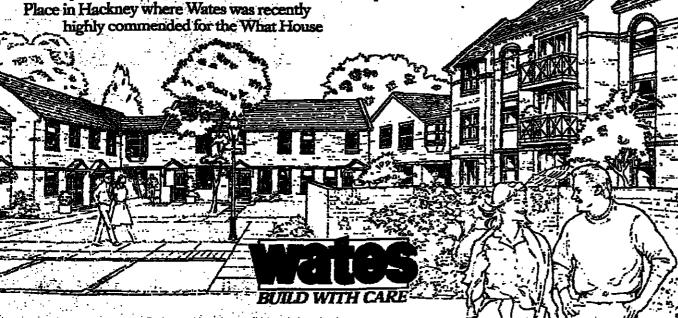
Best Urban Renewal' Award. The local community also benefits, as the standard of homes built is often higher than that achieveable without such a partnership. Packages can be negotiated to provide the right scheme for the area. For example, land provided by the local authority at less than full market value allows for a discount on the price of houses to council nominees.

Wates also has strong ties with central government and financial institutions. We know a great deal about grant aid systems which, in some cases, can be used to procure land and refurbish buildings where development costs may exceed the value of the finished scheme..

We also work closely with public and private landlords to regenerate derelict or underused inner-city land. Most of these schemes are exclusively for housing but some include shops, offices and community facilities.

For further details please contact Nigel Stuart-Baker, Development Manager, Urban Renewal, Wates Built Homes Limited, 1260 London Road, Norbury, London SW16 4EG.

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the local authority so that the needs of the local

The first problem is usually financial.

best from all funding sources, including our own.

from a company with our pedigree are brought to

bear, to organise the job with maximum efficiency

training programmes in the construction industry,

passing on, at 14 training centres throughout

the country, skills which permanently enrich the

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Britain's housing stock knows that it's a problem

any that people won't want to live in.

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The Task

To regenerate, with a timescale of 5 years, 1300 acres of underused land in the Kirkstall Valley and South Central Leeds. Good locations for commercial, industrial, retail, residential and leisure schemes. Historic riverside frontage with scope for expansion of

The Team

Martin Eagland (Chief Executive); Stuart Kenny (Development and Marketing Director); Alan Goodrum (Planning Director) and David Robinson (Finance Director).

The Approach

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The Plan

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Engine for Growt

THE KIRKLEES **APPROACH TO** REGENERATION

Council has seized forces with the private sector—Heald

A series of projects will be undertaken throughout Kirkines, resp reial conartenities to these which are socially and

£100 stillion in Kirklans.

For further information on Kirkloos contact: Mr. A. Goodram, Employment Douclepescot Vait, Kirkless Metropolites Council, Market Street, Huddessfield, HB1 2EV, West Yorkshire, Tel. Huddersfield (9484) 22133 est. 2264.

URBAN DEVELOPMENT corporations are at the forefront of the Government's pol-

icy on urban renewal. In the past year, three new corporations have been set up, in central Manchester, Leeds and Sheffield. Plans for the fourth, in Bristol, are being opposed by the city council. The petition is expected to be rd before a House of Lords committee this autumn.

At the same time as plans for these "mini" UDCs were laid before parliament, extensions to the boundaries of the corporations on Merseyside and the Black Country were agreed. Consideration is also being given by ministers to the extension of the territory covered by the London Docklands Development Corporation. London Docklands, set up in 1981 by Mr Michael Heseltine

when he was Environment Secretary, remains far and away the most successful in terms of the amount of private-sector investment it has generated.

Between 1981 and 1988, the
LDDC estimated that a total of

£4.4hn had been committed by the private sector in the area, of which £3.8bn was on sites disposed of by the corporation. Over the next four years, the investment figure is expected to double on the assumption

URBAN DEVELOPMENT CORPORATIONS

The local touch is crucial

opment in the past year was the start of the £3bn Canary Wharf financial centre project. The next major area of develnent is the Royal Docks, where the London City Airport has opened. Four major schemes covering three differ-ent sites have been put forward by consortia, which include offices, leisure com-plexes, housing, a hotel and hops. Despite its commercial suc-

cess, London Docklands continues to be criticised by MPs and local groups for its lack of attention to the less advantaged residents of the area, particularly in housing, job opportunities, training and community facilities. The Cor-poration has been increasingly areful to make more provision. in these areas, supported by recent appointments to the board of people experienced in training and social aspects.

that the economy remains buoyant.

The most significant development in the past year was opment in the past year was with Tower Hamlets. It is hoped that the latter will enable much-needed road improvements to be approved by the council, and to be built on time.

Communications to Docklands, and within, are a major source of concern to develop and the corporation. Better road access is vital, as is better public transport. The Dock-lands Light Railway is being improved, and is likely to be extended to Beckton (financed by LDDC land sales).

The Merseyside Development Corporation has been criticised, notably by the National Audit Office, for different shortcomings. In particular, it was said to be slow to find exploitable opportunities. Developments are now pro-ceeding, however, at a much

The experiences of the original two development corpora-tions - at different ends of the

been absorbed by the new corporations. Their boards and management have put considerable emphasis on the need to ensure that training is provided for local residents to enable them to take up new jobs - particularly important on Teesside and Trafford Park,

More effort is being made to ensure that development relates to surrounding dis-tricts, and to win the co-operation of local authorities. Considerable care is being taken in Type and Wear, for instance, to ensure that developments will enhance the attractions of the

where job creation is a prime

The performance of the UDCs in relation to inner city regeneration is critical. In turn, the inner cities are now seen as the key to regional development, as the Government shifts the emphasis away from grants to encourage industry to expand in the regions, in favour of concentrafabric of the cities in the

regions.
In this way, it hopes that more companies will want to more companies will want to re-locate to the regions. The newer UDCs have one

major limitation, however, and that is money. Total expendi-ture in the current financial year was allocated at fust over £200m. The figure will rise as the new UDCs move into their second and third years of oper-ation. Meanwhile, the LDDC. which was granted £128m in 1987-88, will be moving increasingly towards a situation where it can finance activities from its own resources, mostly sales of land.

The new corporations have small staffs, mostly from the public sector, and local author-ities in particular. Their experience of the private sector may well be limited. Expertise fre-quently has to be bought in

Given the scale of the tasks which must be undertaken by the UDCs if they are to be in a

tial developers - land cless ance, acquisition, provision communications resources are small. They have to be viewed in the light of the private sector's showing much more interest in the inner cities, but that commitments

are still thin on the ground. The temptation must be for the UDCs to give permission to the UDCs to give permission to schemes that may fall far short of their ideal just to show that something is happening. This was the case in London Docklands in the early years. It had the virtue of getting the ball rolling, allowing the curporation to become more selective.

But it would not be surprisgoing for them than proximity to the City of London were to jump at the opportunity to take developers on board.

The Covernment or state like

The Government originally envisaged a life of six to seven years for its creations, but it would not be surprising if it took them considerably longer to make the impact expected of them. That would retainly be the case if the economy were to lose its growth ma inner cities could then lose their attractions overnight

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Private-sector initiatives: FT writers profile some projects in the inner cities

BPF picks the most difficult route

ST MARTINS Property Bradford University. Corporation will shortly call Once it had wor tenders for the construction ering work on the Listerhills Road project in

The London-based group, a subsidiary of the Kuwait Investment Office, has taken control of a project that was initiated and taken through the planning and grant appli-cation phases by the British Property Federation.

In 1985 the BPF, seeking a means to contribute to, and set an example for, the general urban renewal programme, decided to make productive use of the most difficult piece of land it could find.

It set up a committee, chaired by Mr Geoffrey Carter, then a director of Trafalgar House, with representatives from St Martins, Dorrington, Greycoat, Haslemere, Hotspur, MCPC and Wingate. Its search led to what was, in effect, an old rubbish tip on top of an unknown number of subterranean caverns not far from

IN 11 months since the

Phoenix Initiative set up in Bristol, it has attracted a small

kadford University. "If you sit at a safe distance, Once it had worked up a it takes a long time. You have mixed scheme, involving manmixed scheme, involving man-aged workshops, studies, hous-ing, local shops and a pub, it obtained planning permission from a co-operative Bradford City Council in 10 weeks. ties, span any comm gap, across a table. No member of the committee

had had experience of grant applications, but the finances of the scheme would not add up without some form of subdy. An application for an urban development grant was made in April. Approval for £1.55m came in July. This is a higher proportion of grant than usual - £1 for every £1.78 of private investment and works out at a cost of

£6,500 for every job created.

The relative speed with which it came through has provided lessons. "The key is to get the local people on your side. The central side won't cope unless the scheme has the approval of the local representative," said Sir Peregrine Rhodes, director general of the

to go and see people," he added. He deprecated the idea of trying to do everything by correspondence: it was much easier to sort out any difficul-

From the BPF point of view, the idea of all this has been to show that it is possible to harness property skills to the availability of official funds. This, the BPF thought, would encourage property companies to look at the less favoured areas, taking into accoun Government financial contri-

that the scheme could only be advanced a limited distance by a committee. That is why St Martins has now taken it over. But St Martins will make sure that it is local contractors who do the work on the site.

Paul Cheeseright

the Broadmead, the 1960s shop-

city council and got some pro-Ladbroke has already come in with an £80m redevelopment scheme for those properties the group owns, but if the area is jects off the ground.

It is funded by the private and public sectors to help the own inner-city areas. Mr Denis Burns runs Phoe-nix in Bristol, on secondment to continue as the main citycentre shopping area much needs to be done about parkfrom accountants Arthur Young. "We are a neutral cataing, covering and refurbishlyst in getting projects mov-ing," he says. "We identified 10 or 11 schemes that were thought to be worthwhile, and

The problem is that the decision-makers do not work in Bristol. The shops are run by as I got one off the ground I

"The essential thing is to get the shops, the ground land-lords, the developers, the coun-cil, all working together," says Mr Burns. "We made contact with everyone at head-office level, told them we would act as agent to bring everyone together, raised between \$30,000 and \$40,000 to fund the action, and now have a team looking at which problems should be tackled in which

ally in 1985, and has slowly gathered momentum. Bristol was the third to be set up, after Manchester and Salford, and has been followed by the Wir-ral and Middlesbrough.

Reshaping Bristol Phoenix-fashion The aim, as Mr Burns describes it, is to show that, if ping centre under threat describes it, is to show that, if because of the amount of out-the city is improved, new comamount of private capital, of town shopping authorised panies will come and everyone secured the co-operation of the by the council at Cribbs Cause will benefit.

The local authority has backed Phoenix, whereas it has opposed the government initia-tive to set up an urban development corporation for part of the inner city. Its reasoning is that, in the latter case, localgovernment powers would be removed; whereas in Phoenix the council was encouraged to take part. The Broadmead scheme is

one of four in the city. Another, for which £10,000 has been raised, is the creation of a media workspace, to attract more people involved in (espe-cially) television and video pro-

duction to the city.

The space Mr Burns is looking for is not for production, but for back-up facilities - an office, a secretary, a desk, a phone, all of which can be shared more cheaply than hired individually. He has also raised £15,000 for

an arts-based scheme to com-plement the work being done in the city by organisations such as the Arnolfini. The money will be used to plot a route for the enlargement of the artistic base of the city.



Warmer investment climate suits ICE

MIDDLESBROUGH, Brixton, the unfashionable bits of Bir-mingham – in such areas Inner City Enterprises has demonstrated quietly to the fluencial world that investing in the inner cities, with the help of government grants, can be commercially viable.

ICE was set up in 1982 by the big financial institutions, in response to the challenge by Mr Michael Heseltine, then environment secretary, that they should be doing some-thing in the inner cities. The period that followed

was a poor one for the invest-ment property market, and the ICE experiment got off to a slow start. But the climate improved. Recently several projects, where ICE has acted as developer, have come on stream, and the company now finds that the big increase in investment interest outside the most popular areas is wid-ening its range of opportuni-

ICE, however, wants to make a point. It prides itself on pioneering new forms of development — like the period office conversion in an unfashionable square near the centre of Birmingham. Mr Charles Brocklehurst, managing director, explains how the presence of an insurance company as an investor gave a way out to the local trader developers, and helped to hoist prices.

Other developments have included small business units in Brixton; mixed busi-ness/residential units in Greenwich, carried out in close consultation with the local council; and studios in Notting Hill.

development of a new building, behind a listed Victorian gothic facade at Albion House, Manchester, into design studios with ancillary residential use, a canal-side restaurant, and a ground-floor showroom. The cost is put at around \$2m. A grant of £301,000 has been agreed by the Department of the Knvironment. The develop-ment is intended to be a cata-

ment is intended to be a catalyst for the redevelopment of immediate surroundings.

ICE recently agreed a joint venture with Middleshrough council, which owns the site on which the £m Cleveland

Business Centre will be developed. This venture had been mosted some time ago, but finance had groved the stumbling block until ICE came up with a funding package.

The higgest deal concluded by ICE was in July 1987, when

Greater London Council's industrial property portfolio. Part was sold en to London & Edinburgh Trust. The balance, consisting of small workshops, was retained to be run by London Industrial, a company set up by ICE to manage the prop-

erties. The succession of deals has broadened the experience of the small staff at ICE, and, most important, has boosted the institutions' confidence in an intermediary that was set up as an experin

Hazel Duffy

Experience shows that regeneration of the UK's

could then move on to the

next, leaving the operation of the previous one in the hands of others."

The first project has been in

depressed and derelict urban areas can only be achieved by close co-operation between the public and private sectors. Each side needs to know how the other can help; how it works; and what its limitations are.

URBAN RENEWAL

A wide range of initiatives – economic, financial, physical, social and educational - are needed to secure the turn-around of run-down areas. But time and again, land and property have proved a central issue. Physical development has been the key to regeneration.

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corporations.



CBI sees its task-force as a catalyst

NEWCASTLE HAS been chosen by the Confederation of British Industry's inner cities task-force as the location for a pilot project which plans to bring together the private and public sectors in a broad part-nership at a local level.

The Newcastle Initiative,

In Newcastle Initiative, launched in June, was set up after consultants commissioned by the CBI had identified projects which would benefit from the partnership approach. The projects were primarily property ventures—the deployment of a theory. the development of a theatre village around the restored Type theatre, and renovation of the Grey Street area to provide quality office accommoda-

The plan is to group the owners of land and property in these areas, and encourage them to work together with the city council. In this way, it is hoped that these areas, when removated, will provide a focal point for city centre activities. By concentrating on property in the vital first stages, the CRI hopes to emphasise its point that the private sector can only be expected to respond to the Government challenge on the inner cities if it can be confident that it will it can be confident that it will earn a decent return. In other words, inner city regeneration will only come about on the sort of big scale that is needed if it can be seen not as charity



Mr B田 Hay: chief executive of

From that point, parallel ini-Newcastle. They include a plan for the city to play a role in supporting and building on Japanese investment in the north-east, siming to attract Service companies. The Newcastle Initiative has

Japanese restaurants, banks,

a full-time chief executive in Mr Bill Hay, who is on second-ment from British Telecom. He

drick, from the city council. The local task force which is backing the initiative includes two people from the north-east

- Mr John Hall, managing
director of Cameron Hall
Developments, and Professor
John Goddard, who heads the
centre for bridge and small centre for urban and rural development studies at New-castle University — who are also members of the CBI's national task-force.

The task-force mechanism has been storted by the CBI in

has been adopted by the CBI in other fields. The idea is that the team, in this case headed by Mr Tom Frost, group chief executive of National Westminster Bank, undertakes studies, makes recommendations, which included that of setting up local initiatives, to be wound up when its job is com-

in urban renewal, therefore, the CEU sees itself as the cata-lyst to get hig business inter-ested. If the task-force mechanism is to work - the CBI's earlier efforts at regional and local development have not been particularly successful the employers' body recognises that it will be because the day-to-day work will have been taken on by others, like Business in the Community and chambers of commerce, while it returns to its mainstream

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PARTNERSHIPS

UDCs are not always needed

going into partnership with local industry and commerce to regenerate a dying economy has worked well in the US. with Lowell, Massachusetts. the best known case. Several principles seem criti-

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cal: people and bodies must cooperate; there must be leaders from each side who can work together, and they themselves must see beyond their own role

It has taken a decade to see these principles at work in Britain, but there are now examples. Calderdale, the West Yorkshire borough centred on Halifax, used Lowell as a model for a partnership experiment, with the help of Business in the Community (BiC). A steering group of local business and civic leaders plans strategy and makes sure that all effort is in the same direction. BiC has a man on the ground and a senior execu-

Mr Michael Ellison, chief executive of the borough council, puts the number of new jobs created through the partnership's efforts at about 1,000

tive from London effecting national introductions to BiC

supporters likely to bring in

in the first year. This year BiC extended the experiment to Blackburn, Lancashire. The new partnership's "enabler" is Miss Jo Valentine. seconded from Barings, the

City merchant bank "I am acting as a broker between the public and private



Gray Street, Newcastle, has been selected for renovation

sectors," she says, listing a dozen projects on the go. se include lobbying for the relocation of government offices from London, helping set up a compact between local industry and schools, and establishing a venture capital

fund for the area. The BiC-inspired partner ships are one example of the process. Other places have developed their own style. They include Hull, Glasgow, Sheffield, Birmingham and Bradford, and smaller towns

The partnerships prove that there does not have to be a government imposed urban development corporation (UDC) with its own planning powers in order to effect economic regeneration. Indeed, loss of planning powers has been the principal reason for local authorities opposing IDCs so far.

tent for assembly of derelict land and getting it up to scratch for development. The extraordinary downside like Newport, Preston and risks - the potential for loss if things go wrong - usually embodied in the punitive cost of bringing land up to develop-able standard, may well have required extraordinary solu-

tions. Where the risk was less marked, astute operators in the private sector have started to emerge, for example Bellway Urban Renewals, a subsidiary of Tyneside's Bellway Group. This year it got the largest In some cases - as in Mertowards the £65m it will cost to redevelop the disused Victoria Dock area in Hull. This will involve 1,200 homes, a mile of sea defences, two schools, as well as offices, shops and a botel

Mr Bill Stephenson, of Bell-way, says: "Commercial activity is a key ingredient of successful regeneration, but can you get the commercial private sector into anywhere if there is nowhere good to live? You have got to make the district look good and make it a good place to live in. Housing and regeneration go hand in hand."

His methods are also instructive: "I get moving well in advance of anyone planning anything, and we are then allowed to carry on. We have proved we can be trusted. The whole urban renewal scene is a matter of confidence. We have about £100m of work on at the moment, all of it with Government and local authorities.

"I do it differently from the

UDCs by making much fuller use of local authorities, since they have most of the skills needed. They know the patch. It's a hell of shame not to make more use of these resources." At St Helens, the centreplece is Ravenhead Renaissance, a company limited by guarantee, which is trying to regenerate

land which is cheek-by-jowl with the city centre. The project is backed jointly by the local authority, Milverney Properties and three indus-trial giants - Pilkington,

40 acres of derelict industrial

near the site. Prof Graham Ashworth, of Salford University, chairs the company. The chief executive, who came from the Scottish Development Agency, is Mr Andrew Russell. We run it like a UDC." says Mr Graham White, St Helens

United Glass and British Gas which once had works on or

economic development officer. The Government has been impressed enough to promise substantial funding to help get land ready for development.

Where there are UDCs. there now seems to be an adjustment to them as a fact of political life. Nowhere is this more obvious than in Sheffield.

There, the local authority and the business community sank their long-publicised differences to work together – but failed to persuade the Gov-ernment to let their new partnership have £50m to regenerate the 2,000 acres of the Lower Don Valley, which had been turned into a patchwork waste-land by steel industry closures.

Instead, a UDC was imposed, on the grounds that the Gov-ernment had to be directly accountable to parliament for the way so much money was spent. It was perhaps the acid test of the new partnership that all sides have since been able to adjust.

The UDC and the city council have agreed a formal pro-cess of consultation on policy and practice: in other words, co-operation of all parties has been secured. Coupled with strong leadership from Mr Clive Betts of the city council and Mr Hugh Sykes, a highly-successful businessman who chairs the UDC, Sheffield may well be the role model for the

lan Hamilton Fazey

housing in a south Wales valley has just been completed by the Barratt group at Chydach Vale, in the Rhondda. The Wales Tourist Board has helped to turn golf-course com-plexes into hotels and backed heritage schemes. Two of the leading brewers, Bass and Whitbread, have announced plans amounting to some £38m to upgrade about 150 of their public houses.

Some authorities have responded better than others to the government injative.

The Rhondda has eagerly sought ways to benefit from almost everything coming out of the Welsh Office. The adjacent Cynon Valley authority has spent more time pointing out how deprived it is than inseeking ways to benefit.

Political initiatives: relationships have improved

Councils co-operate

been a political issue, even before the first outbreak of inner-city riots in the early 1980s which placed it high on

the agenda. Recognition of the problem was a gradual process. In the early 1970s the Greater London Council, shaken by the prop-erty boom-and-bust and riding an emotive anti-offices wave, introduced Office Development Permits and set up the Location of Offices Bureau in a carrot-and-stick effort to encourage businesses to move out of London.

The LOB was not dishanded until a decade later; but before the general election of 1979 its function suddenly went into reverse, as it tried to attract businesses back. The state of inner London, rapidly becoming an industrial and small business desert, made this inevitable

At the same time the Labour government, with Mr Peter Shore as environment secre tary, was waking up to the problem nationwide and beginning to take action. But the Labour approach was still heavily rooted in public spending and leaving ultimate decisions to local authorities, some of which were responsible for their creating their local prob-

lems in the first place. The Conservatives took over with a different set of priorities and constraints, and many of their policies were to have profound effects on the inner cities problem.

Tenants' Right To Buy their council homes, for instance, was aimed not at urban renewal but at vote-catching, but it made a contribution by helping to break down the sector barrier which had previously stigmatised entire areas. A more direct measure was the establishment of the first urban development corporations, in the London Docklands and on Merseyside.

The political process often appears slow; but, looking back, its effects have been generally noticeable, and in specific locations very impressive indeed. Almost 10 years on, those involved in it note major improvements in two areas that had previously slowed the

Relationships between government departments involved in urban renewal have become less fractions and more co-ordinated, with overall control vested in the Cabinet Office. And relationships between central and local government have improved.

Of 57 "target areas" identified in the Government's Action for Cities report, published in March, 54 are Labour-controlled. All the new urban development corpora-tions are designated in Labour areas, yet the only objection to has come from Bristol.

Elsewhere, Labour authorities are either accepting the inevitable or learning that ben-

Of 57 'target areas' Identified in Action for Cities, 54 are **Labour-controlled**

efits will come only to those who will talk to those in a position to provide them. After years of defiance, councils like Tower Hamlets and Newham have come to recognise that London Docklands will be developed with or without their approval But, for government pur-poses, local authorities are still

too slow. In May, the urban development grants and urban regeneration grants, which were administered by local authorities, were replaced by city grants, given direct by the Environment Department. Only one week later the first city grant, worth £60,000, was naid out in Nottingham. In August, a £3,280,000 grant was awarded to Derby developers J.F.Miller & Co to transform the 18-acre former foundry site

djacent to Derby County football ground into a major industrial park. This case was significant. because the site also became the country's first Simplified Planning Zone. With the agreement of Derby city council, planning permission is deemed to exist for 10 years for a wide range of business and industrial uses without the need for planning applications - or fees. It was the combination of the grant and the SPZ status

£9m of private money to be Not that the UDG and URG were not a success: since they began, 314 schemes have benefited from £191m of public money and brought in £777m of

private investment. Almost

that made it possible for about

1,533 acres of reclaimed land are also not to be sneezed at. But the Government saw the change to city grants as an important move to streamline the process. Since May, five city-grant schemes have been approved, with £5.2m of grant attracting £14m of private

Inter-departmental co-operation is also an important factor. Environment is responsible for city grant, UDCs, and all planning aspects of derelict land and vacant land, where efforts are now being made to transfer the burden of keeping registers to the public authorities hoarding the vacant land in question. But initiatives regarding improving inner city safety and tackle crime require

Home Office involvement.
The Small Firms Service is run by Employment. City action teams, task forces and breakfast meetings with potential private investors are a Trade and Industry responsibility. City technology colleges and employer-school compacts, guaranteeing a job with training for school-leavers, are an Education Department matter (with Employment). And vital development infrastructure, like the Black Country Spine

Road, is a Transport project. Since Action for Cities was launched in March, information from and about all of them has come neatly headed with the Action for Cities logo, and individual department credits take second place. To those familiar with previous problems that arise when responsibilities overlap, this makes a significant and refreshing

change. The Action for Cities report listed the priorities: Encouraging enterprise

and new businesses, and help-ing existing businesses to grow stronger. ■ Improving job prospects, motivation and skills. ■ Making areas more attractive by tackling dereliction,

bringing buildings into use,

preparing sites, encouraging

development and improving

Making inner city areas safe and attractive. Six months on, the political will appears undiminished and the progress steady and on the

Mira Bar-Hillei

urban regeneration grant yet from the Government: £17m Spotlight on two areas with special, but differing, problems

Pump-priming helps to give the valleys a facelift ABERTILLERY lies a dozen miles north of Newport, in the heart of what was once the prosperous south Wales coalfield, unites Anthony Moreton. Today, the pits have all but gone taking with them most of the prosperity they generated.

However, to prevent the town existing solely as a feeder dormitory for Newport, a £10m scheme has been proposed by the Welsh Development Agency to give Abertillery an economic and social facelift. A new market is proposed, some new housing, and a re-opened railway line.

The plan is typical of what is being proposed for many of the valley communities in south Wales It is now accepted that a little pump-prising, com-bined with an infusion of his vate-sector indicey, can arrest the decay and decline of whole

communities.

The Abertillery scheme is matched in Causilia, three or

sides of a group of houses are improved in a joint pro-gramme, after which it is hoped that householders will improve the insides.

These are examples of what is happening in the valleys of south Wales as government pump-priming seeks to encourage improvements in the social oric and make land available for companies to move in.

The valleys have been described as Wales's only inner-city problem areas. Compared with parts of Leeds, Leicester and Liverpool, or inner-London areas such as Brixton, Steoney and Southall, they can hardly claim to be deprived. But they do have problems resulting not just from the loss of their base industries, but also from the egacy of 18th and 19th century

Other aspects of the economy also need improvement. four miles down the valley. This need to be removed dere-

essential. Road improvements are necessary. Above all, the environment needs to be cleaned up if newcomers are to open factories.

Labour council of 1983-87 saw

the key to regeneration as a

municipalised house-building

programme - the UDC may

have been the only route to the

sort of industry-led, wealth-creating regeneration the Gov-

In others - as at Trafford

Park, Teesside, the Black

Country and Type & Wear -

the UDC's powers are impor-

It was to respond to these needs that the Government launched a Valleys Programme this summer. The aim of Mr Peter Walker, Secretary of State for Wales, was not to throw money at problems so much as to pump-prime, hoping that example and exhorta-tion would cause others to fol-

The Government has certainly made money available. Some 260,000, for instance, has been allocated to the conversion of a former light-bulb fac-tory at Anananford, above Llanelli, to help convert it into a managed workshop expande of accommodating up to 23 starber mits.

Another £15,600 has gone towards improving a senior citizens' hall in the borough of

privately-developed, housing is Rhondda, has received £25,000 towards the cost of pedestrianisation. A chapel in Merthyr Tydfil has received £50,000 towards refurbishment, and the bus station in the town has been improved.

Porth, in the Rhondda valley, and Rhymney have both been helped to make environmental improvements, and commercial properties have been assisted in Aberdare.

Critics have accused the Government of merely tinkering with the problem, and it is true that the amounts in schemes such as these do not add up to very much. Fourteen projects are being backed to the tune of £450,000, and it is not possible to do very much at an average cost of £30,000 each.

The Government replies that some projects have attracted larger grants but that, in any case, this spending has to be seen in conjunction with being stimulated in the private sec-

plan to "envelope" 49 houses. to allow factory building. New, office in Tonypandy, in the The first private executive West Belfast fights back with enterprise culture

Belfast, writes our Northern

MINETEEN years of civil unemployment, sub-standard disorder and sectarism strife housing, inadequate health housing, inadequate health have taken their toll on West and educational provision and a poor physical environment Ireland correspondent. Chronic - characterise a region acknowl-

edged as one of the most deprived in western Europe. In some of the sprawling urban comurbations unemployment is running at 80 per cent.

Obsessive international Media interest in the terrorist campaign exacerbates the image problems and makes the attraction of inward invest-ment flendishly difficult. Yet West Belfast is battling back with a community-based self-help philosophy.

An enterprise culture is gradually transforming the job-starved landscape, and carefully targeted business initiatives are flourishing in what until now has been an economic wilderness.

So seriously is the subject treated that West Belfast recently topped the agenda at a meeting of the Anglo-Irish Intergovernmental Conference. The British Government, keen to demonstrate to representatives of the nationalist community that practical action was being taken, earmarked an additional £10m for

projects in the area this year. A new central government unit, headed by Northern Ireland's top civil servant Sir Kenneth Bloomfield, who himself survived an IRA murder attempt lest month, is co-ordinating a development strategy in consultation with the public encies and the private and agencies and the voluntary sectors.

Over the last 18 months, special government action teams, homing in on specific areas, have supported 150 community initiatives in West Belfast. The number of teams, each with an annual budget of £500,000, is being doubled.

Other projects this year include the establishment of job markets in the Falls and Shankill Roads, improvements to community workshops, and an extra 500 jobs for the long-term unemployed with emphasis on self-help community initiatives.

and last mouth 120 adults embarked on a year-long training programme in the retail and distribution sector. That initiative should pay

dividends when a 25m shop-ping development being under-taken by the private sector at Andersonstown opens in two

A major package of support is also being provided for the West Belfast Enterprise Board, to belp it establish a centre for enterprise development in the former American Monitor

Two months ago the International Fund for Ireland, set up with donations from the US, New Zealand and Canadian governments, weighed in with

a £500,000 grant to the board. Around £300,000 will be used to sub-divide the factory, and the rest will form a "seedcorn fund" from which the board will sponsor fledgling enter-

The International Fund has already approved support of tim towards the cost of six local enterprise projects in North and West Belfast. These cross-community ventures aim to accelerate the development of local businesses, through the provision of small factory units with centralised service and access to management advice and business counsel-

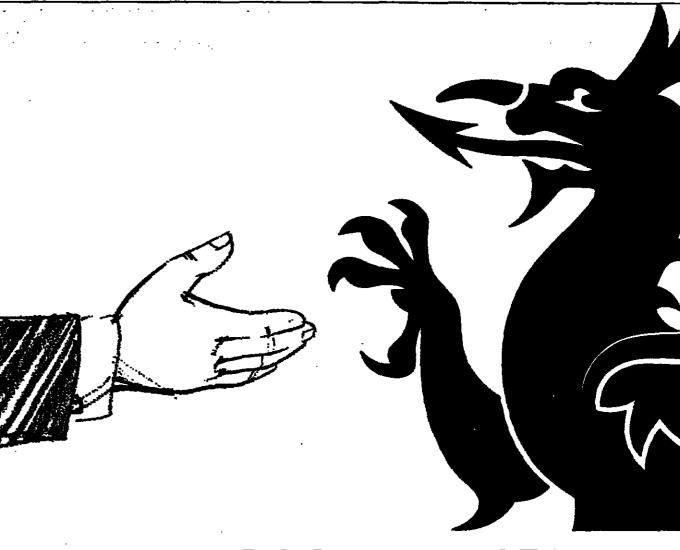
In an attempt to enlist the positive involvement of local people through community ini-flatives, the Government has authorised a further £250,000 for the voluntary sector this

Part of the £10m cash injection will be used for new health, education and environmental projects designed to improve the general quality of life for local residents.

When set against a planned public expenditure programme of almost £500m in Belfast this year, the extra £10m seems like a drop in the ocean by comparison with the extent of deprivation. Indeed, Mr Gerry Adams, Sinn Fein MP for West Belfast, argues that the Government is simply trying to give the impression of doing something while ignoring the basic problems of the area.

The Social Democratic and The consumer spending Labour Party, Northern boom has not gone unnoticed, Ireland's main constitutional nationalist party, believes an injection of £100m to tackle deprivation would be more

> But it is clear that the reversal of the social and economic decline of West Belfast has been given a high priority by the Government.



THERE COULDN'T BE A BETTER TIME TO INVEST IN WALES.

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Confidence has grown as derelict land has been reclaimed for new factories, homes, hospitals, schools and parks. Access is quicker and easier because of the new road, rail, sea and

the UK in the last five years?

Wales has shared in a massive flow of investment: from the new offices, business parks and maritime quarters of Cardiff, Swansea and Newport to the renewal of historic towns and resorts from Deeside to Anglesey, via the new A55.

And, last June, the Rt. Hon. Peter Walker MBE, Secretary of State for Wales, launched a 3-year £500m programme of public investment in the Valleys to draw in £1,000m of private investment for renewal and development.

In this brave new Wales, the signals for success are strong and consistent.

To talk about the ways in which you could become a partner in that success, contact the Urban Renewai Unit, Welsh Development Agency, Pearl House, Greyfriars Road,

Or call John Pavitt or Martin Hall on Cardiff (0222)

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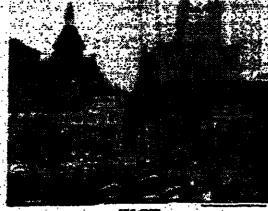
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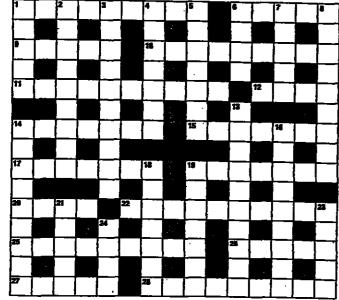


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CROSSWORD

No. 6,749 Set by TANTALUS



- ACROSS
 1 and 6 Swain's super cultivation ends up a weed! (9-5)
 9 On reflection sailor discov-
- 9 On reflection sailor discovers ten is the quotient (5)
 10 School doesn't start before principal displays aquatic plant (5-4)
 11 "I can resist everything except ——" (Wilde) (10)
 12 Support animal (4)
 14 Musician accepts bridge player is a clumsy person (7)
 15 Section of matins has unfinished piece of music (7)
- ished piece of music (?)

 17 Form of greeting is endless with this number (?)

 19 Boy at home with oriental cit (?)
- 19 Boy at nome with oriental wide? (9)
 20 Apprentice goes to expert for fabric (4)
 22 Let an MP air amendment at this assembly (10)
 25 His art can convert a nihil26 Feature about a series of shore (5)
- ist (9)
 26 Discharge offspring (5)
 27 Either way it's a doctrine (5)
 28 Summer in France with sallors find friend for ever (9)
- ors find friend for ever (5)

 DOWN

 1 Odds on rodent getting a prize puzzle will be published fish (5)

- 2 I'm sent tea to brew in this

- 5 Teacher to look in for some food (7)
 6 Move film camera round west to see man on board (4)
 7 Thread one's way through to meet magistrate (5)
 8 Stamina shown by topless men on French river (9)
 13 Many go to America in battle charge (10)
 14 Sparkling diamond (9)
 15 Type of joint seen worldwide? (9)
 18 True, I go to home counties
- shops (5)
 28 Those people carrying weight become strong (5)
 24 Some musicians catch on to

with names of winners on Sat-urday October 15.

- Democal Inc String 499.79 101.26 100.5 Str. 94-6465

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 3 Lo! Or they go wrong with study of religious feasts (10)
 4 Special care on hill – this could be nuclear (7)
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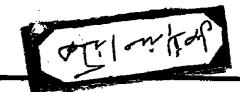
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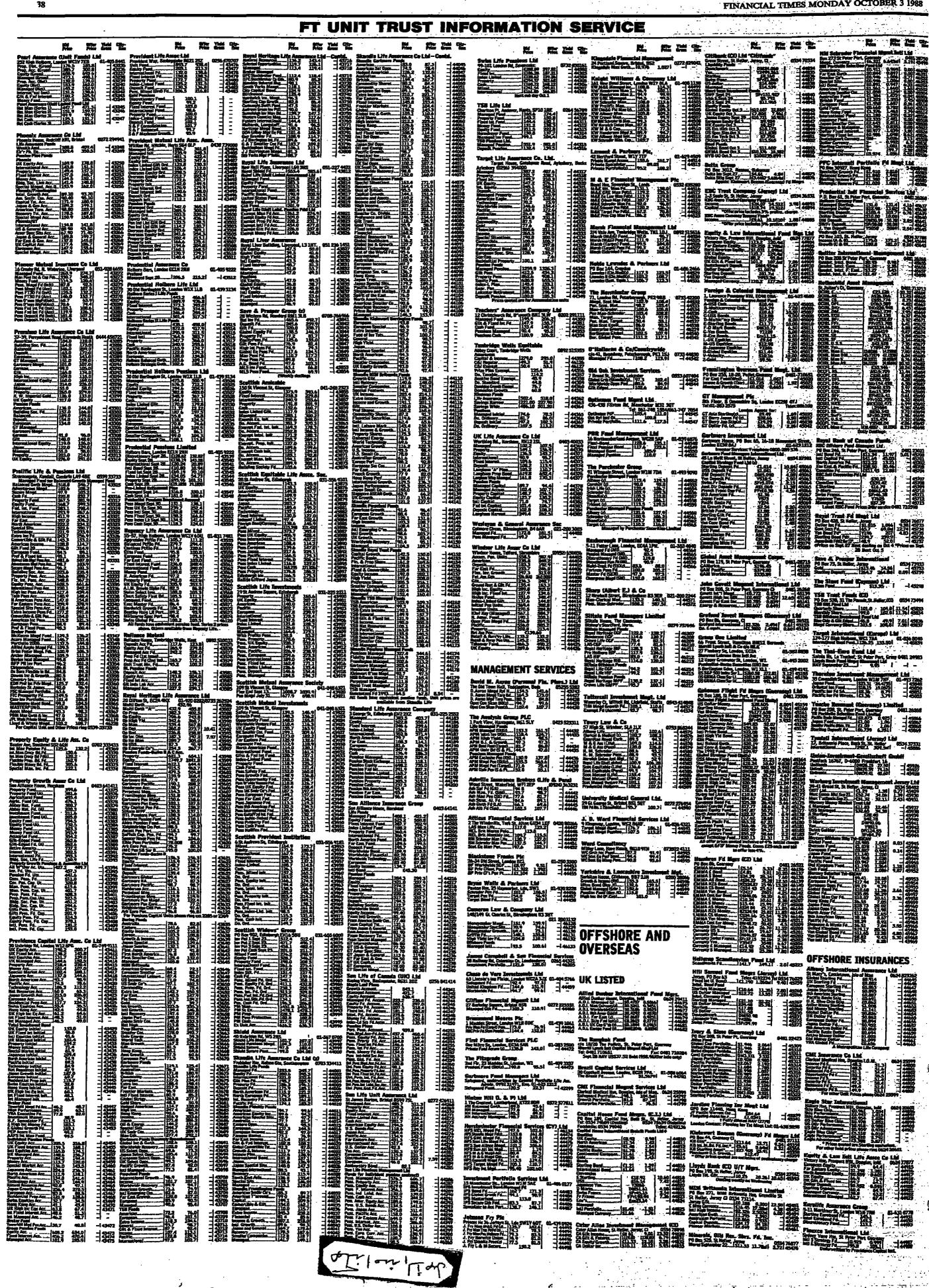
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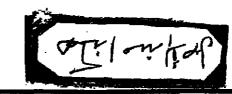
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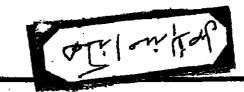
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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

North the contract of the cont

Doubts surround the pound's trend

By Colin Miliham

STERLING'S MAJOR trend is STERLINGS MAJOR trem is still up, according to Barclays de Zoete Wedd, and is a strong buy, heading for DM3.25 and \$1.71 to \$1.72.

This appears to be at odds with the view that the UK trade deficit will drag the cur-rency lower, but follows news last Tuesday that the August current account deficit was £1.31bn, against a record £2.15bn in July. BZW suggests that technical

chart factors favour sterling. Based on the better trade data, and the fact that interest rates look set to stay at 12 p.c., there is a fundamental view that the pound is a low risk currency,

according to BZW.
Other City observers are not so sure, about sterling's

Mr Nick Parsons, at Union Discount, said he thought it unlikely sterling would move very far in the short term, remaining trapped between the prop of high interest rates, and the depressing factor of the trade deficit.

UK money supply and bank lending figures will be released on October 20, followed by the September trade data on October 27. These are the figures most likely to move the pound, and in the meantime little is expected to happen.

UK official reserves for Sep-tember will be announced tomorrow, and are expected to have fallen slightly, reflecting Bank of England support for the pound earlier in the month. But the news is unlikely to provide any great movement on the exchanges.

The main news this week will probably centre on Fri-day's US employment data for September.

The general level of forecasts

suggests that unemployment will remain at 5.6 p.c. and that the rise in non-farm payrolls will be about 220,00 to 230,000, compared with 219,000 in

It was the lower than expected rise in August employment growth that led the market to believe the US economy is not overheating, and that the Federal Reserve does not need to

tighten its credit policy.
When this figure was announced last month the prospects of higher US interest rates faded, and upward pres sure on the dollar eased.

Providing that September

employment growth is around the level of expectations there seems no reason to believe the dollar will suddenly surge The central banks intervened together to sell the dol-

lar last Monday, as Group Seven finance ministers met in West Berlin.

The scale of intervention was modest, but was enough to cap a developing dollar rise, and left the market in little doubt about the G7's commit-ment to stable exchange rates. It may be a cynical view, but many observers believe the

markets are happy to go along with a period of stability, if only to assist Mr George Bush in winning the US presidential election next month. If the foreign exchanges do remain steady for the next month or so, sterling seems to

be a favourite currency for short-term investment, if only because it is better to be in a

Previous Close Sept.30 Closing 1.6815-1.6825 0.48-0.46pm 1.28-1.25pm 4.10-4.00pm 6920-1.6930 0.49-0.48pm 1.37-1.35pm 4.12-4.07pm STERLING INDEX

CURRENCY RATES

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CURRENCY MOVEMENTS

OTHER CURRENCIES								
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stable currency yielding 12 p.c., than an equally stable one

yielding 3 p.c. September proved a reasonably good month for sterling, with the pound little changed against the dollar and firmer in

terms of the D-Mark.
Sterling's exchange rate index closed at 75.9 on Friday, compared with 75.8 at the end. of August. This came as a relief to the City, where nervousness about the UK trade deficit and the

growth in bank lending had

pushed the pound lower, and interest rates up, at the begin-ning of the month. The key three-month inter-

bank rate rose to 12% p.c. in early September as sterling weakened, but after some bet-ter than feared economic news, the three-month rate finished the month at under the present base rate level of 12 p.c.

The rise in August bank and building society lending (M4) was much lower than expected. and the August trade deficit was less than feared.

Sociar 987 83-84 85-84 84-85 85-84 85-85 8	EURO-CURRENCY INTEREST RATES								
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EXCHANGE CROSS RATES 226.5 133.9 10.77 6.369 2.678 1.584 3.568 2.110 2058 1217

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POUND SPOT- FORWARD AGAINST THE POUND									
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t VX and Ires individual cor	HK and Ireland are quoted in US corretory. Forward precious and discounts apply to the US dollar and not to the administral currency. Belgian rate is for convertible frames. Planetal frame 39,60-39,90.								

MONEY MARKETS

Bank poses question

Euro Brokers

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Capital Markets Limited

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YORK - TORONTO TOKYO - MADRID

THE BANK of England invited the London discount houses to use their borrowing facilities on Friday, at a rate of 12 p.c.

The market was technically short of funds, because of demand for money to meet end of the month and end of the market commitments.

quarter commitments. Market rates rose on Friday morning, at a time when the pound was climbing steadily on the foreign exchanges. It therefore seemed to be simply a matter of a temporary hiccup in the supply of credit, and in such circumstances it was reasonable for the authorities to offer borrowing facilities; as well as the usual help from bill

The question the market was left asking however, was whether the official action was purely technical, or whether it had a deeper meaning as far as interest rates are concerned.

It appeared to be a possible

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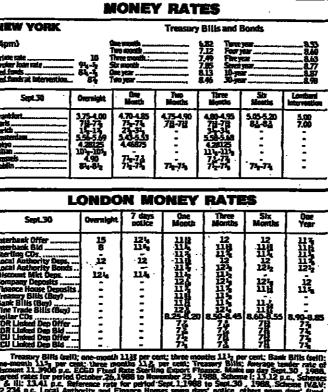
UK clearing bank base leading rate 12 per cent from August 25 & 26

indication that the authorities are concerned about dealers becoming too euphoric follow-ing slightly better than expected UK trade figures.

There is also a question over whether the Bank of England is saying rates are too low by its action. It certainly appears to be an indication that rates will not fall from 12 p.c. in the foreseeable future. This

provide an answer.

If the Bank of England believes interest rates will have to be increased again, it would not be in conflict with comments made last week by Mr Nigel Lawson, the Chancellor, that a depreciation of ster-ling was counter to the Gov-ernment's anti-inflation policy.



FT LONDON INTERBANK FIXING CLLOD a.m. Sept.30) 3 months (25 dollars

BANK OF ENGLAND TREASURY BILL TENDER WEEKLY CHANGE IN WORLD INTEREST RATES OZIZI Vecire Vecire Vecire Vecire Vecire 100 4.775 4.875 Unch'd Unch'd Unch'd there Cock'd gach,q 強 ٠. 114

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FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. on with the Institute of Actuaries and the Faculty of Actuaries

Ltd., in conjunction with the institute of Actuaries and the Faculty of Actuaties											
NATIONAL AND REGIONAL MARKETS		THURSDA	Y SEPTEMB	ER 29 1988		WEDNESDAY SEPTEMBER 28 1988			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar index	Day's Change	Pound Sterling Index	Local Currency ledex	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988 High	1988 Low	Year ago (aopros)
Australia (85) Austria (16) Beigium (63) Canada (125) Denmark (39) Finland (26) France (128) West Germany (100) Hong Kong (46) Ireland (18) Italy (100) Japan (456) Malaysia (36) Mexico (13) Netwerland (38) New Zealand (20) Norway (25) South Africa (60) Spain (43) Spain (43)	120.14 119.46 131.41 114.70 98.23 78.68 99.62 131.01 74.13 159.11 136.04 153.75 102.22 111.87 117.82 106.71 136.68	-0.23 +0.00 +0.00 +0.00 +0.01 +1.13 +0.01 +1.44 +0.01 +0.74 +0.74 +0.01	121.69 77.13 105.86 105.26 115.79 101.07 86.56 69.33 87.78 115.44 66.32 119.87 135.49 90.09 61.88 94.03 120.44 104.92	117.20 85.59 118.21 105.32 129.04 106.86 98.69 76.98 99.86 129.50 77.62 135.13 140.10 384.61 99.02 60.47 105.38 110.76 92.38 128.96 113.65	4.10 2.447 3.252 1.329 1.491 1.491 1.491 1.491 1.491 1.491 1.464 1.591	138.37 67.76 120.10 118.69 131.461 97.14 78.46 100.02 129.23 73.56 159.19 137.06 155.93 101.54 70.59 111.88 117.94 104.44 125.75 118.51	121.69 77.14 105.58 104.34 114.98 100.75 85.39 68.792 113.60 64.66 64.66 139.94 120.48 137.07 62.05 91.81 119.48	117.48 85.63 104.90 108.74 97.41 76.60 100.29 127.55 76.91 135.04 141.07 389.81 60.55 100.82 91.32 91.32 110.82	152.31 98.18 139.89 128.91 132.72 139.53 99.62 99.62 111.86 144.25 81.74 177.27 154.17 188.07 130.66 84.05 132.23 135.89 139.07 164.47 125.50	91.16 83.72 99.14 107.06 111.42 106.78 72.77 67.78 84.90 104.60 62.99 133.61 107.83 90.07 95.23 64.42 96.55 97.99 98.26 130.53	167.03 99.84 125.03 136.61 115.66 107.57 100.46 158.66 153.34 90.15 145.13 174.95 382.57 123.74 133.21 176.06 163.99 180.70 159.02 131.62
Switzerland (55) United Kingdom (322) USA (580)	77.22	+0.3 +0.8 +1.2	68.95 112.93 98,20	76.27 112.93 111.44	2.22 4.64 3.58	76.98 127.17 110.08	67.67 111.79 96.77	75.88 111.79 110.08	86.75 141.18 112.47	74.13 120.66 99.19	108.38 157.73 133.70
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Sase values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US \$ Index), 90.791 (Pound Sterling) and 94.94 (Local) Expyright, The Financial Three, Goldman, Sacis & Co., Wood Mackenzie & Co. Ltd 1987

CONSTITUENT CHANGE: Name change; Dee Corporation to Gateway Corporation (UK).								
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TOTAL VOLUME IN CONTRACTS: 41,938 C-Call

BASE LENDING RATES

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Adam & Company	_ 12	Chydestale Bank	Northern Bank Ltd 12
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Associates Cap Corp	12	Dunbar Bask PLC 12	Ruburghe Grantes 124
Authority Bank	12	Duncas Laurie12	Royal Bit of Scotland 12
B & C Merchant Bank	77	Espatorial Back pic 12	Royal Trest Bank 12
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Bank of Ireland	12	Gelmes Mahos 12	Unity Trest Bank Pic 12
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Bask of Scotland	75	Hambros Bank	Westpac Bank Corp. 12
Basquet Beige Ltd	12	Heritable & Gen lee Bek. 12	Windowsy Laidlaw 1212
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Bendamark Bank PLC	12	C. House & Co. 12	14 Charle County Services 12
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Saventse 8.47%. Top Tier-£10,000 Instant access 11.06% & Mortgage bar

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FINANCIAL TIMES

ALLIANCE LEICESTER Alliance & Leicester Building Society

£200,000,000

Floating Rate Notes due 1993

In accordance with the provisions of the Notes, notice is In accordance with the provisions of the Notes, notice ishereby given that the Rate of Interest for the three month period ending 28th December 1988 has been fixed at 12, 125% per annum. The interest accruing for such three month period will be £301.47 per £10,000 Bearer Note, and £3014.69 per £100,000 Bearer Note, on 28th December 1988 against presentation of Coupon No. 1.



28th September, 1988

Agent Bank

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Actuaries

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Why small can still be beautiful

Big is beautiful in high-technology. At least, it is in Japan, and would be in America if it were not for those infernal venture capitalists, who tempt innovative engineers to desert corporate employers for supposedly gr ner pastures on their own.

In the US electronics indus try (and, by implication in Britain and anywhere venture capitalism rears its head), this syndrome creates a prolifera-tion of small enterprises with inadequate scale and financial staying power. In exchange, it robs stronger companies of

That is the controversial thesis of Mr Clyde V. Prestowitz Jr, a former US Department of Commerce official in Tokyo, as expressed in Trading Places (Basic Books, New York) which is attracting consider-able attention in America for its revealing inside account of US-Japanese trading negotia-

Most of the book is a detailed indictment of alleged US government inadequacy in the face of Japan Inc's ruthless-industrial and trade strategy. But it also attacks America's obsession with smallness, which it blames on America's long-standing "cowboy spirit" of individual enterprise.

Mr Prestowitz sees this as major part of the explanation behind the sudden decline over the past few years of the once dominant US semiconductor industry, as well as the lon-ger-term demise of machine cools and other sectors.

Populist simplicity and stark statistics

Whereas other exponents of the doctrine of scale deploy intricate economic argun Mr Prestowitz presents it with populist simplicity, laced with few stark statistics.

He shows how Japan's NEC, with ultra-patient financial acking from its owner-shareholders (the sprawling Sumitomo group), could afford to prisingly little understood. Its strengthen its position in semiconductors immeasurably during the early 1980s by spending over 12 per cent of its group sales on research and its group sales on research and development, while producing egories of cases: national said to me: The court never consistently poor profits. In semiconductors alone, NEC was at one stage spending a remarkable 50 per cent of sales on capital investment and R&D combined. Other Japanese companies were doing precisely the same.

By contrast the US semiconductor industry was spending only about eight per cent of sales on R&D, a rate which has contributed mightily to its competitive decline, according to its critics. Yet Mr Prestowitz calculates that this actually represented over half the industry's annual profit in several mightily of securing to the industry's annual profit in several mightily of securing the impossibility of securing the control of the control industry's annual profit in several years; taking R&D and capital spending together, the industry frequently spent more than it was earning.

The lesson, he claims, is not just that US industry suffers internationally from an impatient stock market (and an excessive cost of capital), but that innovation is often best carried out within very large, diverse corporations which can cross-finance between can cross-finance between their wealth of activities. By contrast, the semiconductor companies of Silicon Valley, many of which were spawned from each other by ambitious breakaways, are just too small

to operate on their own.
Though Mr Prestowitz's argument clearly does have argument clearly noes have some force, it is questionable on several grounds, both specific and general. Silicon Valley's slide owes at least as much to inadequate quality management as to its members' relative lack of scale, while Japan's semiconductor surge has had more to do with step-by-step development than

surge has han more to do with step-by-step development than with real innovation.

As for his wider betief in bigness, he seems strangely ignorant of the long catalogue of problems which Western companies have experienced companies have experienced with the management of inno-vation and diversity — and which have spawned today's companion fashions for rela-

companion lashions for relative smallness and/or focus.
Cultural and other factors may allow Japanese giants to combine entrepreneurship with scale, and even with diversity, but most of their Western competitors have yet to learn this tricky balancing to learn this tricky balancing act. In the meantime limited cross-company collaboration of the type now developing in Silicon Valley is preferable to the implied Prestowitz prescrip-tion of gargantuan takeovers.

Christopher Lorenz recovered. The Act did, how-

THE MONDAY INTERVIEW

Law Lord of Luxembourg

Tim Dickson talks to Lord Mackenzie Stuart, President of the European Court

distressing experi-ences as a judge at the European Court over the last 15 years, Lord Mackenzie Stuart ponders a moment before replying. "They were," he declares, "when I was faced, as I frequently am, by examples of the abysmal ignorance on the part of even intelligent people in the mem-ber states as to what the court is really trying to do."
As one might expect of a 64-

year-old Scot whose father was Professor of Law at Aberdeen University, Lord Mackenzie Stuart does not often mince words. But his harshest criticism tends to be aimed, as in the recent controversy over member states' failure to agree the composition of the next Luxembourg "bench", at those he sees playing national politics with a body which is now indisputably the EC's highest

legal authority.

Appointed by Edward Heath as Britain's first jurist at the Luxembourg-based institution in 1973, Lord Mackenzie Stuart is about to retire as its President after five of the most dramatic years in the development of the EC. They have seen the court command ever greater popular attention, as the enfor-cer of equal retirement rights between the sexes and as an opponent of Europe's air trans-port cartel, and pass more firmly into anti-Common Market demonology, after forcing Britain to levy VAT on a vari-

ety of goods and services.
"I take great comfort from
the fact that the criticism of
the court divides into those who say that we are not moving fast enough and those who say that we are moving much too fast," he says in his office at the court's futuristic headquarters on a hill about a mile from the centre of Luxembourg. "If you get two bodies of criticism that are 180 degrees opposed you are probably get-ting it about right," he sug-

For an institution that per meates almost every aspect of the daily life of the Community's 320m citizens, the European Court of Justice is sur-13 judges, one traditionally from each member state with the 13th drawn in rotation from the larger countries, exer-

decisions of Community insti-tutions like the European Com-mission and the Council of Ministers by the member states; and cases brought against the member states for

failing to apply EC law.
Witnesses seldom appear
before the red-robed jurists in their awe inspiring courtroom since the judges generally con-fine themselves to questions of law, their subsequent delibera-tions take place in a less intimidating private chamber and, while discussions are no doubt often highly charged, the final judgment (read in the language of the case) is always unani-

Lord Mackenzie Stuart, a keen cross country skier and

PERSONAL FILE

1924 Born Aberdeen, Law degrees from Cambridge and Edinburgh Universities. Married with four daughters 1944 - 47 Served with Royal Engineers 1951 Admitted to Scottish Bar

1963 Queen's Counse 1971 Appointed Sheriff Principal of Aberdeen, Kincardine and Banff 1972 Appointed Judge of the Court of Session 1973 - First British judge at the European Court

player of *petanoue* (the popular

French game sometimes known as boules), has clearly relished his long "exile" in Luxembourg. Professor David Edward, the first British President of the Council of Euro-pean Bars and Law Societies was quoted in the July issue of the New Law Journal as saying the soft-spoken Scot managed successfully to introduce British traditions of legal thought and practice to suspicious continental jurists and persuaded even more hostile British lawyers that the European Court was a suitable venue for the adjudication of important and politically sensitive disputes. Lord Mackenzie Stuart nevertheless bridles at suggestions that the court itself is "politi-

cal". He explains: "The court is not a political institution. Its job is to apply the law which is the result of political consensus. In this context I always think of my Dutch colleague,

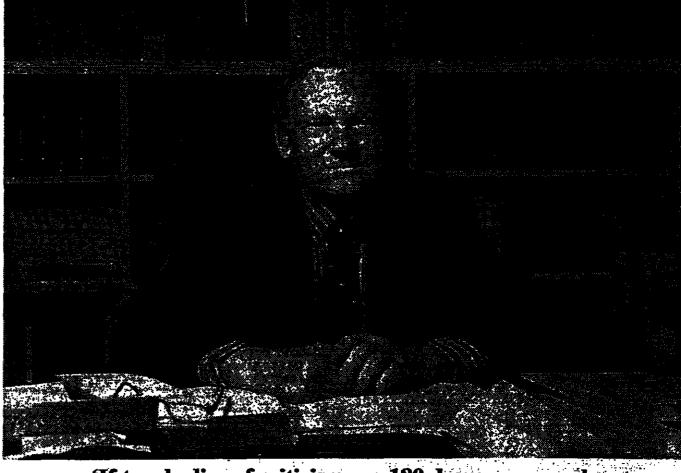
characteristic pauses, But sometimes it does remind member states of the agree-ments they have come to."

The clear temptation for member states to meddle in the court's work is hinted at in Lord Mackenzie Stuart's view that the European Court should adopt the model of the German Federal Constitutional Court where judges are appointed for 12 years (with no resignation). possibility of reappointment). At the moment the 13 judges have a six-year mandate which can be renewed.
"I think the six-year man-

date is too short. Twelve years may seem a long time but the court needs continuity since it can take 18 months to two years to see through a single case. It would also avoid the situation where X or Y or Z fails to have his mandate renewed for reasons that are purely political and have nothing to do with the proper work of the court. There have been one or two occasions when we have lost a valued member for reasons which have seemed to me to be inadequate."

Many observers contrast what they see as the court's bolder attitudes in the earlier days of the Community when it often went beyond what was strictly speaking in the treaty – such as its decision in 1963 that individuals could claim EC rights in national courts -with a less robust approach today. Lord Mackenzie Stuart says comparisons are difficult, but he observes that "at the beginning there were a number of important legal decisions to be taken . . . the pros and cons were simpler and perhaps more readily understood.

"We are now, and have bee for a decade or more, into the problems of the second phase of the Community: problems which are more subtle and which by their very nature require on the part of the court a rather more shadowed, manced approach. Inevitably I think this will continue. I don't see the court being faced as it was in the early days with a number of fundamental black or white, yes or no situations." But will not the vagueness of the Single European Act – the reforms of the Treaty of Rome which came into effect in mid-1987 and which Lord Mackenzie Stuart himself says is "curionsty" drafted in many ways -require the court to adopt a different approach? "It is quite clear that there are ambigu-



If two bodies of criticism are 180 degrees opposed. you are probably getting it about right?

ities, even inconsistencies in the Single Act," he says. "But I am personally not too worried about those. What I am con-vinced is that there will be no question of holding back. The law of the communities has established a number of basic and fundamental rules and I cannot see that the court will water down those rules in any way as a result of the Single

concern in the run-up to 1992 is that of enforcement, highlighted by recent Commission statistics showing a rising number of cases where mem-ber states (notably Greece and Italy) have not implemented munity law. Lord Macken-

that the problem is greatly overstated and misunderstood. Half the court's work, he explains, comes in the form of references from national courts ("We're simply an intermediate stage in the judicial process"), other cases put the Commission or the Council of Minisinconceivable for them to defy EC law"), while fines imposed for anti-dumping actions (where the court acts as a court of appeal) are recover-able through national debt col-lection procedures. "You are left with the very small per-centage of our workload where we are asked to say that the actions of a member state are

contrary to the treaty. There

decisions into effect - the parliamentary machinery in some member states is extremely cumbrous - but in all my experience there has been little

Lord Mackenzie Stuart is naturally enthusiastic about plans for the new so called Court of First Instance, designed to reduce the court's fast growing case load and speed up decisions. He is nevertheless disappointed that, under pressure from the French Government and the European Commission, the Council of Ministers has decided to exclude anti-dumping appeals from the new court's remit. "These are a good example of the sort of which involve a vast

amount of facts and which would save the existing court a lot of time. By not agreeing to include them, the work of the new tribunal is to some extent pi protes!

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When I first arrived at the court we used to get the judg-ments out on 177 references (cases which came to us from a (cases which came to us from a national court) within six months of the day they came in. It rarely went a week or two beyond this, but now it usually takes 14 to 15 months. I can't see us ever getting back to the happy days of six months but I would hope that, with the Court of First Instance, we will get it back to ber states should find that acceptable."

The case against

Popular understanding would give all of us the right to a day in court. The impossibility of securing justice, let alone a day in court, unless we are very rich, is a social evil. We all know it and we all deploys it legal aid. and we all deplore it. Legal aid offers some evidence of soci-ety's wish to do something, but it attacks only the fringe of the

evil.
Contingency fees have been put forward as an answer.
Advocates claim that their widespread use in the US shows that they serve a useful purpose. Yet Americans, even their support. A contingency fee is an

arrangement between the law-yer and client whereby the lawyer takes a percentage of any money recovered in litiga-tion, but nothing if the case is

The major obstacle to the adoption of the system in England is the practice in English courts (not shared by US courts) whereby the party who loses the case pays everyone's costs. This would make it more difficult for a defendant, who never stands to win in the sense of gaining money, to resist an action backed by contingency fees. The contingency fee would also require barris-ters and solicitors to share the risks inherent in the system.

Assuming that these practi-cal difficulties were sur-mounted, the English law would need statutory amend-ment. A solicitor is forbidden ment. A solicitor is torondent to enter a contingency fee agreement by the Solicitors Act and the professional prac-tice rules. The agreement would, moreover, be unenforce-able, it is classified as "cham-restrict a sub-species of "mainperty", a sub-species of "main-tenance" - the support of other people's lawsuits -under which the supporter takes a cut in the proceeds of the action. This was declared contrary to public policy under a statute of 1967, which means that the fees could not be

The judges have distinguished between paying someone's legal costs (allowed) and taking a cut in the proceeds of the litigation (forbidden).

in one case a minority share-holder brought a representa-tive action in the name of the company, claiming that it was mismanaged by its directors. Too late, he found that legal aid was not available for companies. As he could not afford the legal costs personally, he agreed a contingency fee with his solicitor.

The Court of Appeal condemned this as illegal and con-

Americans fear fees based on results are excessive and may encourage unethical behaviour.

trary to public policy, though Lord Justice Buckley had some sympathy. The litigation lawyer's duty is to advise his cilent with a "clear eye and an unbiased judgment". Something was also said about the lawyer's duty to the court (Wallersteiner v Moir (No.2) (1975) 1 AER 880).

In the other case, a bank guaranteed its customer's legal

in the other case, a bank guaranteed its customer's legal fees in an action against the Nigerian Central Bank on a letter of credit. The bank could not expect to recover any of the money owed to it by its customer unless the action was successful.

This was not an agreement to share the proceeds of the action, aithough it was "maintenance" of the litigant. It had the nature of a contingency fee, but the Court of Appeal found that public policy need not prohibit the payment of legal costs where the person paying had a legitimate and genuine interest in the case (Trendtex Trading Corp v Credit Suisse (1980) 3 AER 721). The bank was allowed to pay

express disquiet about contin-gency fees. Like the UK judges, they fear that a fee based on results may encourage unethi-cal behaviour. They also think that the fees are excessive. Many connect them with the high level of jury awards of damages. Juries, it is said, add a large percentage to cover the contingency fee to their esti-mate of the true damages. A report of the American Bar Association in 1984 con-

cluded that contingency fees can be such that no knowledgeable lawyer would call them reasonable - a fee of \$383,244 for negotiating a settlement of \$1.5m, for example. A percentage fee fails to reflect either the cost to the lawyer or the value of the legal services pro-

The ABA recommended that the court should have power to review contingency fee agree-ments, but this would add a new field rich in potential dis-putes to the courts' existing work-load. Reported cases from the US have included, for instance, a dispute about whether a lawyer who with-drew from a case on ethical grounds was entitled to his

The contingency fee is also ill adapted to cases where, instead of awarding the damages in one lump sum, they are ordered to be paid in periodic

instalments.
The last word should go to an American lawyer, Robert White, who defined "contingent fee" thus in his Legal Dictionary: a "pay-only-if-you-win arrangement whereby your lawyer agrees to handle your case for a percentage of any damages recovered. The damages recovered. The per-centage is usually three quar-ters to nine tenths of the recovery - if your lawyer is asking less, he's performing an act of charity. A properly appreciative client will let the lawyer have the whole thing, plus a tip (15 per cent of the original claim would not be unreason-able)."

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